CURRENT DEVELOPMENT OF THE OUTER CONTINENTAL SHELF [OCS]: IMPACT WITHIN THE SMALL BUSINESS COMMUNITY

HEARINGS

BEFORE THE

SUBCOMMITTEE ON ENERGY, ENVIRONMENT, AND SAFETY ISSUES AFFECTING SMALL BUSINESS

OF THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

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CURRENT DEVELOPMENT OF THE OUTER CONTINENTAL SHELF [OCS]: IMPACT WITHIN THE SMALL BUSINESS COMMUNITY

WEDNESDAY, APRIL 10, 1985

House of Representatives,
Subcommittee on Energy, Environment,
and Safety Issues Affecting Small Business,
Committee on Small Business,
South Gate, CA.

The subcommittee met, pursuant to notice, at 8:32 a.m., at South Gate City Hall, 8650 California Avenue, South Gate, CA, Hon. Charles W. Stenholm (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN STENHOLM

Mr. **Stenholm**. We convene this meeting of the Subcommittee on Energy, Environment, and Safety Issues Affecting Small Business of the Small Business Committee of the U.S. House of Representatives.

I would like to begin by thanking all of those present for being here and for participating in this field hearing. The Subcommittee on Energy, Environment, and Safety Issues Affecting Small Business will be holding an identical hearing tomorrow in Houston, TX. And I know I speak for my colleagues here today and those in Washington, DC, when I say we are looking forward to having this testimony from small business persons regarding the subject before us, which is the "Current Development of the Outer Continental Shelf [OCS]: Impact Within the Small Business Community."

Let me also take this opportunity to express my thanks and appreciation to the mayor of South Gate, the Honorable Herb Cranton, who we will hear from in just a moment, and Mr. Bruce Spragg, chief administrative officer for the city of South Gate. The subcommittee appreciates having the use of this excellent hearing facility, and the assistance we have received with the logistical arrangements which such a field hearing requires.

The gentleman to my left is the Honorable William S. Broomfield, who represents the 18th Congressional District of Michigan. Bill is the ranking minority member of the House Committee on Foreign Affairs and is the ranking minority member of this subcommittee. I appreciate his willingness to travel such a long distance to be here for this hearing.

I am Congressman Charlie Stenholm, from the 17th District of Texas.

The California delegation will be well represented at today's hearing.

The Honorable Mervyn Dymally, representing the 31st District, is scheduled to be here.

On the minority side, we will have the Honorable Dan Lungren of Long Beach, who represents the 42d District.

I would also like to express appreciation for the help and cooperation of the Honorable Gus Hawkins of the 29th District of California. Gus was unable to be with us, but he's been very helpful to me and to my staff in arranging this hearing.

For purposes of definition, the Outer Continental Shelf (OCS) consists of the Federal submerged land beyond the 3-mile area of State jurisdiction in most offshore waters and beyond 10 miles in the Gulf of Mexico waters, offshore Texas and Florida.

The Congress enacted the Outer Continental Shelf Lands Act Amendments, Public Law 95-375, in 1978, and the United States has made a commitment to accelerate the leasing, exploration, and production of offshore oil and gas reserves.

For the past 4 fiscal years, Congress has placed leasing bans as provisions of the Department of the Interior appropriations, thus locking up areas of high oil and gas potential by withholding the moneys needed to hold lease sales. Proponents of these moratoria on leasing cite the possibility of blowouts, air pollution, or other impacts which might affect the fishing and recreational value of the areas under moratoria. Opponents of these moratoria say that the fears of environmental damage are exaggerated and note that there has not been a major offshore oil well blowout since 1969, off Santa Barbara, CA. Moratoria opponents fear that the bans might become permanent and will result in shutting off some of the most promising tracts from development forever.

I have not called these field hearings to weigh the merits, pro or con, on the continuation of the moratoria on OCS development. That is clearly not within the jurisdiction of this subcommittee. Rather, these hearings have been called to ascertain what impact, if any, has been experienced by small businesses as a result of the current development of the Outer Continental Shelf.

The subcommittee will take the information we gather and contribute it to the hearing record which is currently being established with regard to OCS development.

I shall now call on my colleagues for their opening remarks and will turn first to the Honorable Mr. Bill Broomfield.

OPENING STATEMENT OF HON. WILLIAM S. BROOMFIELD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. **Broomfield**. Thank you, Mr. Chairman.

I merely want to make a brief statement and thank you very much for holding this hearing on the effects of Outer Continental Shelf development on small business.

As the ranking member of this congressional subcommittee, I certainly welcome the opportunity to hear the concerns of small businesses that are involved in and affected by the OCS development.

In addition, I want to thank all the participants for coming today.

There are thousands of jobs at stake. Certainly the fishing and tourism industries are at stake. And the survival of many small businesses directly and indirectly involved in OCS development are at stake.

These concerns, coupled with the already grave concerns of the environment, national security, and rising energy costs, make this hearing a very important addition to the national formulation of policy regarding offshore oil development.

All these issues affect small business. For example, rising energy costs affect small business in my home State of Michigan, as well as the rest of the country.

All these concerns must be brought together so that an understanding can be reached.

Mr. Chairman, with the past debate, excluding input from small business, I believe that the national interest will most certainly be well-served today by the hearing of testimony from the small business community.

Again, I welcome and join you in hearing these comments.

Mr. STENHOLM. As our first witness this morning, we're happy to have the Honorable Herb Cranton, the Mayor of the city of South Gate.

Your Honor, we're pleased to have you here, and we'll hear from you at this time.

TESTIMONY OF HON. HERBERT W. CRANTON, MAYOR, CITY OF SOUTH GATE, CA

Mr. CRANTON. Thank you, Mr. Chairman, members of the subcommittee, and staff. My name is Herbert Cranton, and I am the mayor of the city of South Gate.

On behalf of Congressman Hawkins, the city council, and the citizens of South Gate, it is indeed an honor and a pleasure to welcome you to our fine city, home of California's Azalea Festival.

"Pride and progress" is the hallmark of our community.

We have over 72,000 residents that represent diverse ethnic, religious, and economic backgrounds.

The spirit of South Gate can be reflected in our small business community. Our small businesses have a rich and varied history of producing thousands of goods and services. Some provide support services to the energy industries. Many manufacture goods from petroleum byproducts.

Though far removed from the offshore spotlight, I know our small business community has been concerned about adequate and reasonably priced energy resources, particularly in relationship to their ability to remain economically viable.

South Gate is also home to some of the top industrial companies in the Nation, Atlantic Richfield Co., Purex Corp., Reisner Metals, W.R. Grace Co., Shultz Steel, Ameron Inc., Anchor Hocking, and Bowers Manufacturing, to name a few.

I am sure you are familiar with all the horror stories from the small and corporate business community as a result of the energy crisis of the past decade.

As you are aware, these companies are high energy users and some are energy producers.

More importantly, these industries, combined with our small business community, support countless jobs and contribute thousands of dollars to fund necessary community services.

Chairman Stenholm, because the debate on offshore oil development has been traditionally conducted in coastal areas, its content has focused on coastal impacts, omitting several other significant issues from consideration.

Greatly overlooked is the economic impact offshore oil development has on the inland business community. This may not be as familiar or as vocally promoted as the environmental concerns, but people's lives are influenced in a very direct way.

Energy has played—and I believe will continue to play—a vital role in the economic growth of South Gate. I would like to see that growth enhanced.

Responsible development of our domestic energy resources is one step in assuring that growth.

Gentlemen, I thank you very much.

Mr. STENHOLM. Thank you, Mr. Mayor.

We appreciate, again, very much, your hospitality here. You have touched on some of the major issues and the subcommittee appreciates having your testimony.

I would like to emphasize—and I'll try to do this periodically throughout the hearing today—that what we're trying to ascertain is the impact of offshore moratoria on small businesses.

The facts and figures that are constantly given to the Small Business Committee indicate that some 80 to 85 percent of all new jobs are created by small business. That's contrary to what we sometimes hear, based on the statements and comments of many individuals.

Small business is the creator of jobs, and adequate income is awfully important to the development of cities and schools and the problems that I know you deal with on a daily basis.

You touched on a few key points, and we appreciate your testimony.

Mr. Broomfield.

Mr. BROOMFIELD. No.

Thank you.

Mr. STENHOLM. No questions.

I call our first panel, Mr. Gene Hale, Mr. Larry Lopez, Mr. Dick Long, and Mr. Ruben Jauregui.

Let me say this. I will ask unanimous consent of the committee to accept all of your written testimony, in complete and total detail. It will be made a part of the record. And we would ask that you would summarize and try to stay within what we call, in the Congress, the 5-minute rule, with your comments. We want you to say what you've come here to say. If you can summarize the main parts of your testimony, we will appreciate it, in that we have many witnesses. Again, each of your prepared statements will be made a total part of the record and will be considered in full.

I will now call on Mr. Gene Hale, chairman of the Black Business Association, Los Angeles, CA.

Not here?

[Pause.]

Mr. **Stenholm**. We will call him later.

I call on Mr. Larry Lopez, the executive vice president of the California Hispanic Chambers of Commerce, Sacramento, CA.

TESTIMONY OF LARRY LOPEZ, EXECUTIVE VICE PRESIDENT, CALIFORNIA HISPANIC CHAMBERS OF COMMERCE, SACRAMENTO, CA

Mr. **Lopez**. Thank you, Congressman Stenholm.

First of all, I'd like to thank you for calling me here.

I am the executive director or the executive vice president of the California Hispanic Chambers of Commerce.

And what I am here today is I'm representing the California Hispanic business community.

I would like to compliment the subcommittee on holding the hearings in California. It is vital that similar congressional hearings be conducted here to allow for participation of the many affected California residents who are unable to testify before Congress on this significant issue. I speak particularly of the growing population of Hispanics in California. Our interests and concerns represent an important point of view which rightfully should be included in the shaping of this Federal offshore policy.

I have been fortunate, as a representative of this growing body, to be present at previous congressional hearings on the Outer Continental Shelf.

As executive vice president of the California Hispanic Chambers of Commerce, I carry this message from our collective membership: The California Hispanic Chambers of Commerce actively support the exploration and development of our offshore energy resources and oppose Federal and State legislative efforts to impose moratoriums on offshore energy development.

Copies of this testimony will be submitted to key congressional representatives from California in whose districts the local Hispanic chambers are located. The Hispanic congressional representatives from California are aware of our stand on support of the OCS development.

The membership of our California Hispanic Chambers of Commerce are mostly small business owners—all small business owners. And a number of us own and operate industries or service businesses which are growing and diversifying. As with most businesses, we are energy consumers and rely on energy costs that can be budgeted in a particular pattern.

It is very well known that the failure rate of small business ventures is very high, especially for Hispanics. The Department of Commerce just came out with some new information, which goes now to eight of every [sic] new starts fail. And in the Hispanic community, we're mostly new starts. So, we have a very—you know, the difference between success and failure is a very low percentage. And when we start to fool around with costs like energy and those kinds of things, it can make a difference, in either men giving up and not trying anymore or being overwhelmed by the cost of operating a business. So, it's very vital to us. Hispanics, like most Americans, are hard hit during recessionary periods. And we know that the last recession, that the two recessions followed oil shortages. So, it affects us very deeply. The California Chambers of Commerce formed within the last decade to include chapters in most major cities. We now are in 25 cities in California, and we have eight more on the drawing board. The vitality of our State system is forecasted to grow appreciably, as is the Hispanic populace, which is projected to be 30 percent of the total population of California. This represents an increase of 10 percent from 1980. California is expected to contain the largest number of Hispanic-owned businesses anywhere in the United States. We estimated, through the U.S. Hispanic figures, that we'll have 40 percent of our Hispanic businesspersons in California. It is in our best interests and in the State's best interests to maintain a current economic recovery, to ensure that California continue to have a climate of commercial vitality and viability.

You might wonder why is the California Hispanic Chamber of Commerce involved with OCS. And I can tell you we are kind of an emerging organization. We chose this issue because—and we took a year to decide and actually come to pass a resolution through our board of directors. It was debated very hotly, and there were very many issues that we were looking at. But we centered on this one because we know that our new business people—we're going to grow. We're going to double the number of Hispanic businessmen in this State alone by 1990. So, we needed to look at markets where we could show some appreciable growth and develop some interest and growth in.

And so we saw that this was a—could be—because there are so many other businesses that are affected, not just the oil-drilling wells and all the other things, but all the support services that go to those—to build those wells and just the work that has to be done offshore.

So, we saw, if we did our homework—in other words, most of the time we get involved with something way after something has happened. And if we did our homework in the beginning, that we would be there with the information to pass on to our membership and our entrepreneurs, and we would have a tremendous opportunity to develop new business within our community. And that's why we're here primarily.

The California Hispanic Chamber, as the collective body, agrees fully with the principles of a free marketplace, and we implore our congressional representatives to remove the barriers that are inhibiting the formation of small businesses.

We need to proceed with an expanded energy development program that respects the quality of life onshore, as well as offshore.

And that was very important to our membership, by the way, that we do safeguard the environment, and that's part of our resolution.

Continued development of our energy resources will provide new jobs for Hispanics and new business opportunities for our entrepreneurs.

In 1981 alone, major U.S. oil companies purchased close to $500 million worth of goods and services from minority businesses, many of them Hispanic. Of course, we want to see that improve tremendously. And we feel that our investment of time and resources in this kind of hearing will result in that. We must keep energy development dollars in America, rather than spending them overseas.

It is encouraging to note that the member companies of both Western Oil and Gas Association and the National Ocean Industries Association have announced that they will conduct a minority vendor information conference this year. This is the first time that they've ever done that.

And if you look at our national Hispanic agenda, business agenda, that was passed in San Antonio, TX, at our last national convention, we listed that—on our fourth item, which was right after "Major Corporations," which, by the way, totally, in the United States, the minority community receives about 2 percent of business from the major corporation who has access to information. And our business community felt we got things too late.

So, this is a real vital step, and I compliment these two organizations for putting this kind of a program together, because it will mean that the information will get out to our small business persons and we'll all have opportunity.

Efforts such as this promote informational accessibility to minority businesses who request equal opportunity to compete fairly in the marketplace. We do not expect special treatment, only equal opportunity.

By becoming involved with the debate on the offshore development, CHCC has voiced its concern that the natural resources off our coast are for the enjoyment and benefit of all. The improvement and preservation of quality of life is as important as the conservation of our oceans and coastline. We are satisfied that the adequate environmental regulations and engineering safeguards have been implemented since the unfortunate Santa Barbara oil spill over 15 years ago.

Moreover, we recognize that technological innovations in the industry have virtually eliminated the hazard of a spill accident. These protective measures ensure that the sea life in the OCS will be unaffected by the expansion of offshore activity away from the environmentally sensitive areas.

On these bases, the California Hispanic Chambers of Commerce and the U.S. Hispanic Chambers of Commerce, composed of 17 States, have gone on record supporting offshore development of oil and natural gas resources.

Thank you.

Mr. STENHOLM. Thank you.

After we have heard from each of you, we'll question you as a panel.

Mr. Dick Long.

TESTIMONY OF RICHARD W. LONG, PRESIDENT AND OWNER, DIVING UNLIMITED INTERNATIONAL, INC., SAN DIEGO, CA

Mr. LONG. Thank you very much for having us here and particularly giving small businesspeople who don't have the opportunity to travel to Washington, DC, to speak to the people who are actually in the position of making decisions—I want you to know that, on behalf of all the small businesspeople, I really appreciate that. I know that you have busy schedules and I appreciate this opportunity.

I am the president and owner of Diving Unlimited International, Inc. I've been a sport diver for in excess of 25 years—almost 30 years now.

I was a diving instructor in the very early days and pioneered in that part of the world. Many of the practices today we developed in that time.

I was a professional diver, started off in sewer outfalls and that sort of thing, and ultimately ended up in salvage projects in the offshore oil industry, although I was really a little too old when that thing really hit its peak. And as a diver, we had a lot of problems, we lost a lot of people in the early days, I'm sure you know, and I was—became very involved in developing equipment that would allow us to do that more safely.

I love the sea, it's been my life—all of my life. And to this day I've been an active sport diver. I take my grandson down to the beach, and we feed the ducks; and he has his own little mask-snorkel and fins, and we go out in the water all the time. I spend my weekends this way whenever I can; and this weekend I'll be at sea again.

I've also been very involved in small business issues. I was the chairman of the San Diego delegation at the White House Conference on Small Business in 1980 and was very active. If any of you are familiar with that program, then you saw "United We'll Do it." That came from our little program in San Diego.

I was very much involved in the California Conference on Small Business, and particularly I chaired the energy section, which dealt specifically with this issue.

And now I serve on a number of small business organizations, including NOIA, but also I am on the city of San Diego Small Business Advisory Council. I am also very involved with the Chamber of Commerce, and it goes on forever. I am also a member of the Sierra Club. I'm also a conservationist. These resources I want my grandson to have, and I want your grandson to have. And I'm also an environmentalist. I live out there. Everybody else flushes their toilet in my ocean—I don't like that.

I also go out there with all the ships and I see them and I see all the oil rigs. And I have a personal involvement with all these things and a personal knowledge and background of the effect they have on the marine world.

Also, as a small businessperson, to solve these problems, I have formed a team, a company, and we design and manufacture equipment for people who work or play around potentially hostile environments. I say "potentially." All of the people now diving in Antarctica are diving using our equipment; that is a potentially highly hostile environment, particularly in the wintertime. We have people diving under the ice, through holes in huts in Antarctica in the middle of the wintertime.

We make equipment for people who are in jet aircraft, fighter pilots and whatnot, that have to get in the water, to say nothing of the people who work offshore.

Anything you put in that ocean at some day is going to break and some day going to have a problem. Well, when you get around to it, the best machine built to date still operates on beans and potatoes and can be manufactured in large numbers by unskilled labor, called M-A-N. Man has got to go down there and fix it. I and my little team are the ones who make it possible.

There aren't diving bells on every single corner of a street. There aren't very many of them. So, therefore, when you develop a team that develops this kind of expertise, it takes a long time to put them together and it takes a long time to develop that kind of expertise.

In the height of the offshore oil season, to give you kind of an idea of the effect on our company, we employed about 15 people in the Electrical-Mechanical Division, and we employed about 40 people in the division that made the suits that went with it.

Again, I don't want to take a lot of time, but essentially the Government worked on making an electric suit—we used to say we had "five-man suits" and "three-man suits"—that's how many men it took to hold the diver down while you plugged him in.

Then, we also had the atomic-energy-type suits, where they had a strontium-90 generator on the back; and it didn't keep the divers very warm, but they didn't have to worry about haircuts after that, to give you kind of an idea where that whole thing comes from.

Instead, what we did, we took a heat device that makes hot water. We pick up raw sea water, we heat it to a precise temperature, pump it down through a hose. It comes into a suit that diver wears, which is very rugged, but it looks similar to this coverall.

We flood this outside surface of his body with warm water. Very unimaginative you might think, but it works very, very well. Today we own every single depth record there is, every time-endurance record there is. Even the Russians buy our stuff through third parties. So, I mean, we're very good at what we do.

So, we built these heat devices in the electrical-mechanical division, and then we made the suits in our fabrication division.

At that time, we employed around 12 to 15 people in the electrical-mechanical division. And those were primarily assemblers, which meant that in the southern California area there was at least three times that number of people putting the bits and pieces together that came into us.

Now, we have 1½ persons in that division—on that size. And all the other jobs went away with it.

In the garment division, we now have four people, instead of 35–40. So, it gives you an idea of the impact that this kind of thing has on us, to say nothing of the fact that R&D programs have dropped off rather dramatically, because you don't have the R&D to do anymore.

The United States maintains its lifestyle by virtue of the fact that we are the best technically at what we do. We cannot trade, hour for hour, labor with anybody in the world anymore; we're too expensive. The only thing we have is technology, and we are losing that technology to the British and to the other people, because we simply don't have the markets anymore and because the business environment here is so adverse that it's simply economically safer to do other things.

Another company that is right up here in the northern part of Hollywood is a company similar to mine. They make complementary equipment to ourselves, and they went from something like 60 down to 6. That's reality, folks. That's reality. And we live with those families, and we know those families; and those families are not having an easy time of it.

Some of the other things that I think that are worth while—understanding is that in the early days we had that challenge, we responded to that challenge, and we developed that technology. Those people that are in that business who developed that technology are all getting older; they are also becoming very discouraged, because everybody in the world thinks we're great except our own Government.

And now those people are going to turn around—they are turning around now. They have to make a living somehow, so they're becoming like chicken farmers.

And when this Nation finds itself cut off again from its oil supply—when we find that, "Hey, look, folks, we've made a great error here"—when you go to that chicken farmer and you tell him to come back now, he's 10 years older, and you want him to go spend 2 weeks at a time offshore and 2 weeks onshore, what's he going to tell you, folks?

Really, he's not going to be very interested at all, and he's not going to talk to you at all.

And when you go to try to talk to the young fellow to go out there and do it, he isn't going to want to do it either, because he saw what happened to his dad. OK?

So, my recommendations are: This Nation needs to be strong. Small businesses make it strong. Small businesses are going to be the people who get out there and do it.

Approximately 15 percent of the gas that's in your tank of your car right now came from offshore. That could not have been done if someone did not solve all those small problems.

Again, anything you put down that's going to break, someone has got to go down and fix it. "Man" is going to be the guy that goes down and does it.

Big companies couldn't do it. It wasn't a challenge big enough to make it worthwhile for them to do, so I did it. And I did it because I was down there trying to do the job and was freezing to death.

Now, I represent that I am the rule, not the exception. And that's how the technologies that are put together that make all of this happen—the small businesses are the people that do it.

I firmly recommend that if you people have any foresight whatsoever, you understand that small businesses are the people who are going to solve these problems. That's where the solutions are going to come from, and that's where the jobs are going to come from.

We're sitting down here with arrows in us, and they don't say "Made in the U.S.S.R." or "Japan" or anywhere else; they say "Washington, DC."

And that's all I've got to say.

Mr. STENHOLM. Thank you.

Next we'll hear from Mr. Jauregui.

Mr. JAUREGUI. Close enough.

Mr. STENHOLM. Thank you.

TESTIMONY OF RUBEN JAUREGUI, PRESIDENT, THE ENERGY GROUP, INC./WESTERN PACIFICA INTERNATIONAL, ALHAMBRA, CA

Mr. JAUREGUI. Thank you, sir.

My name is Ruben Jauregui. I am the president of the Energy Group, Inc./Western Pacifica International. We are an energy conservation and management company. We are located in the city of Alhambra.

I am also the first vice president of the Latin Business Association of Los Angeles. I am a member of the Association of Energy Engineers, and the Association of Professional Energy Managers.

As the first vice president of the Latin Business Association, I head the Government Affairs Committee and am currently involved in bringing the issue of offshore development before the general membership for review and consideration.

I am here today, however, not on behalf of the LBA, but as a small business owner, to address the impact that offshore development has on small businesses.

My firm designs and installs energy management programs of a comprehensive nature in office buildings, schools, hospitals, and manufacturing and processing facilities. We also distribute a variety of energy conservation-related products.

As we know, energy conservation and management is a relatively new field. The field became a necessary business consideration following the steep rise in fuel costs as a consequence of the two oil shortages during the last decade.

You might say that I have a vested interest in the rise of energy costs, because it creates a demand for my services.

The majority of small businesses today are at the mercy of traditional energy sources to meet their manufacturing and operating needs. Consequently, the availability and costs of energy assumes a major expense in the operating budget.

Our firm offers a program which is somewhat unique, though not exclusive, in that we can provide energy management services to our clients on what we call a "shared savings" basis.

"Shared savings" means that we will provide all of the engineering, all of the design, supply the equipment, install the equipment, modify existing systems, and maintain anything that we implement, without the need for the end user to expend any capital moneys. There are no up-front costs involved.

Instead, we agree to take a percentage of what we're able to save, in return for having provided the services and equipment. And we count on, quite frankly, the increase in the value of the energy saved when we are calculating the return on our investment.

So, when I say we have a vested interest in the continued increase in the cost of energy, I mean we really do, right where it counts.

Notwithstanding the setbacks that the availability of energy has caused in the increased costs, a Hispanic entrepreneurial class is developing in selected service industries and more energy-conscious enterprises.

It is forecasted by the Center for Continuing Study of the California Economy in Palo Alto that California's economy will continue to be a powerhouse, provided that two things happen: California's people do not lose their zip, and California continues to be perceived as an attractive place to the high-tech people, who might go elsewhere.

A 1984 study of the U.S. Hispanic Chamber of Commerce indicates the State will be the seat of the most dramatic Hispanic business growth in the country. With an estimated 131,000 Hispanic firms today, the U.S. Hispanic Chamber of Commerce projects that California will have 250,000 Hispanic firms by 1997. It is also projected that California will contain 40 percent of all Hispanic businesses in the United States by 1987. Almost half of all Hispanic businesses in California are located in the Greater Los Angeles area.

Keeping in mind both studies, it's important that future-oriented policy considerations, such as the offshore leasing program, take into consideration the future impact of today's deliberations and decisions.

Providing safe and reliable domestic energy resources helps to stabilize fuel and utility costs. Stable pricing structures allow for predictable planning and management of the types and size of firms that the small businessperson should enter with reasonable confidence of success. We must limit the risk attached to unexpected disruptions in energy supplies.

Very few benefit from the uncontrollable surges of conventional energy costs. Alternative and renewable energy sources are not yet able to meet the capacity of industrial demand to maintain economic growth for an oil-based industrial society.

It is in everyone's best interest to allow for the timely exploration and development of our offshore energy resources that will be required soon to meet the projected domestic production shortfall.

Our Nation cannot afford to sit by passively during an oil glut. Productive measures are necessary if we seek to prevent a reoccurrence of the two oil shocks. That is why I oppose moratoriums on offshore leasing and development.

Thank you.

Mr. STENHOLM. Thank you.

Now I would like to recognize and welcome to our subcommittee this morning Congressman Mervyn Dymally of Compton, representing the 31st District.

Merv, are there any remarks you would like to make? And if there are any questions you'd like to ask of the panel, you may be first.

TESTIMONY OF HON. MERVYN M. DYMALLY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. DYMALLY. Thank you very much, Mr. Chairman.

Chairman Stenholm and my friend, Congressman Broomfield, with whom I serve on the Foreign Affairs Committee, I am very pleased to be here with you this morning and welcome you to Gus Hawkins' district.

The oil industry in particular is an essential industry to this Nation and the district I represent. Mr. Chairman, I am very pleased that your committee is focusing on this industry today. Until we further develop alternative fuels, the oil-based economy will be here well into the next century. Minority groups must be and want to be a part of this industry.

I served as Lieutenant Governor of the State of California from 1975 to 1979. And in that capacity, I was a member of the State Lands Commission, which had jurisdiction over State offshore oil drilling. This afforded me the opportunity to tour offshore oil platforms to determine if they pose a threat to our coastal environment. Despite the 1969 oil spill, I believe that the industry has taken dramatic steps to improve the safety and environmental impacts of OCS technology. And in 1975, I voted to increase drilling on the Santa Barbara coast.

Last year, a member of my congressional staff toured Chevron's platform, Grace. He, too, was pleased with the cleanliness and safety shown on the platforms. No industry is completely safe, but clearly the oil industry has come a long way since 1969. But despite my favorable impressions, OCS development exists in a highly political context. As you can appreciate, former Secretary James Watt's plan to lease unprecedented acreage of the Outer Continental Shelf alarmed many of us in the California delegation.

Though supportive of the need for a balanced leasing plan to increase domestic petroleum production, I, like most Members representing our environmentally conscious State, felt strongly that this was an unwarranted departure from the Department of the Interior's historic policies in regard to environmental protection. As a result, I supported the moratorium. Over the last year, members of my staff and I have engaged in frank discussions with the oil industry and my constituents. I no longer support the moratorium because both Secretary of the Interior Hodel and the oil industry appear to be willing to accommodate our concerns and those of other Members of Congress concerned about environmental protection.

A major factor shaping my opinion has been the opposition among my constitutents to a continuation of the moratorium. An increasing number of business associations, municipalities, service organizations, and individual local officials have brought their thoughts to my attention, some of whom will be testifying before your committee today.

Mr. Chairman, with your permission, I'd like to enter in the record a list of a dozen people, prominent citizens in California, who have testified in support of lifting the moratorium.

Mr. STENHOLM. Without objection, they will be made a part of the record.

[List of citizens provided by Mr. Dymally follows:]

The following individuals have testified before Congress in support of responsible development of our offshore resources.

1. Laverta Montgomery—City Manager, Compton before the Subcommittee on Interior and Related Agencies of the Committee of Appropriations.
2. Daniel Tabor—Councilman, City of Inglewood before the Subcommittee on Interior and Related Agencies of the Committee on Appropriations.
3. Eli Sandoval—Chairman, California State American G.I. Forum before the Subcommittee on Interior and Related Agencies of the Committee on Appropriations.

4. Willis Edwards—President, Beverly Hills/Hollywood Branch NAACP before the Department of the Interior Minerals Management Service.

5. Sergio Banuelos—President, California Hispanic Chamber of Commerce before the Subcommittee on the Panama Canal and Outer Continental Shelf of Merchant Marine and Fisheries Committee.

6. Larry Luera—Former State Director of the California Chamber of LULAC, The League of United Latin American Citizens before the Subcommittee on Energy Conservation and Supply of the Senate Energy and Natural Resources Committee.

7. Donald C. Cobbs—Vice President, Black Business Association of Los Angeles before the Subcommittee on Interior and Related Agencies of the Committee on Appropriations.

8. Joseph Sullivan—Board Member, Los Angeles Urban League before the Subcommittee on Energy Conservation and Supply of the Senate Energy and Natural Resources Committee.

9. Davis Rodgers—President, Watts Branch NAACP before the Subcommittee on the Panama Canal and Outer Continental Shelf of the Merchant Marine and Fisheries Committee.

10. Meda Chamberlain—Executive Director, Southern Area, National Council of Negro Women before Energy, Environment and Natural Resources Subcommittee of the Government Operations Committee.

11. Walter Tucker—Mayor of Compton, and

12. John Mack, President of the Los Angeles Urban League, submitted letters of support to Congressman Sidney Yates, Chairman, Subcommittee on Interior and Related Agencies of the Committee on Appropriations.

Mr. DYMALLY. Thank you.

I am sensitive to their views because I recognize the detrimental impact extended moratoria can have on minority groups. Minorities can least afford fluctuations in the price and availability of gasoline, and several minority businesses are anxious to have subcontracting opportunities with an industry that is secure. Congress should make every effort to assure an active domestic oil development program and the involvement of minority businesses. There are several oil refineries located in my district, and numerous small businesses have contracts with these refineries.

I have met with representatives of each of these companies, as well as others, about the impact of OCS development on our local economy and employment. Without a supply of domestic sources of crude, I am concerned that the long-term economic viability of these companies is threatened. Jobs, small busineses, and the tax base in my district are threatened as well.

My chief objectives are to enhance the business opportunities of my constituents and the economic vitality of their communities. I have assigned a congressional fellow on my Washington staff—on loan from the Federal Energy Regulatory Commission—to conduct an economic impact study of OCS development on the proposed pipeline project which will run through my district. These projects hold a tremendous amount of promise and opportunity for small and minority businesses. I'll be happy to share the findings of this study with you, Mr. Chairman, once they're completed.

In conclusion, I would like to thank the committee for coming to this part of California, and request that the committee assert the need for small and minority businesses to be involved in OCS-related contracts.

Mr. Chairman and my friend, Mr. Broomfield, I thank you very much for coming and for the opportunity to express my views before this subcommittee.

TESTIMONY OF GENE HALE, CHAIRMAN, BLACK BUSINESS ASSOCIATION OF LOS ANGELES, CA

Mr. **Hale**. Mr. Chairman, members of the subcommittee, my name is Gene Hale. I am president of the G&C Equipment Corp. We lease and sell heavy construction equipment.

I am also chairman of the Black Business Association of Los Angeles.

Mr. Chairman, I want to acknowledge your subcommittee for its commitment to ensure that all Californians have the opportunity to participate actively in this important policy debate.

Mr. Chairman, I also want to acknowledge the support of Congressman Mervyn Dymally for offshore development. In the past year, Congressman Dymally has been an active participant in the offshore energy debate. He has met with oil industry representatives on several occasions to ensure that the concerns of the minority business community are included in shaping policy on offshore development.

I come before this subcommittee to express my personal support and that of the Black Business Association for a balanced and responsible policy for the development of oil and natural gas resources off the coast of California.

I am here today to offer a perspective that unfortunately is not often heard when an issue so critical as offshore development is being debated—the impact on small and minority businesses.

Let me begin by providing you with a little background on my company. G&C Equipment Corp. has been in business for 4 years. We are based in Gardena, CA, which is in Congressman Dymally's 31st District. I have five full-time employees.

During the last energy shortage, when the price of gas skyrocketed, demand for my heavy equipment was at an all-time low. The resulting revenue loss had an adverse effect on my overall operation.

Diminished business opportunities, as a result of inefficient or expensively priced energy, is an impact that rarely surfaces in the debate on offshore oil development.

As you are probably aware, some 600,000 minority-owned businesses nationwide have been the principal suppliers of new jobs and training for thousands of workers.

As chairman of the Black Business Association of Los Angeles, I am continually reminded of our role of creators of job opportunities. However, I am also reminded of our goal to generate business opportunities for our membership. Yet, G&C Equipment Corp. and the Black Business Association have had limited access to the petroleum industry procurement dollars.

My presentation here today offers an opportunity to enhance that relationship. We are encouraged by the industry's recent announcement to hold a minority vendor conference this summer in Los Angeles.

Recently, statements have been made by leaders in the environmental community challenging the rights of minorities to speak out on their interest in this issue. I challenge the environmental community to present us with one good reason why minorities should not be allowed to participate in the public debate on this issue. I challenge them to produce as many economic opportunities for minorities as they are taking away by delaying the development of the California OCS.

I believe the urban business community has a greater awareness of the link between the energy resource development and employment. As participants in the offshore oil debate we have a significant role to fulfill in achieving the goal of employment development in our community.

During the past year, there has been growing interest and support in the black community for expanded offshore development off the California coast. The Black Business Association, Los Angeles Urban League, local chapters of the NAACP and black elected officials are but a few examples of those who have stated their support for the Department of the Interior's offshore leasing program.

The availability and cost of energy resources have a direct economic impact on our community, our business, and our families. I urge you to consider our concerns and those of all Californians when making your decision on this issue.

Thank you.

Mr. **Stenholm**. Thank you.

I recognize Mr. Broomfield for 5 minutes of questioning.

Mr. **Broomfield**. Mr. Chairman, I don't want to take 5 minutes, but I do want to compliment all of the gentlemen for their testimony this morning. I think it has been extremely useful. I think it's also important to hear the other part of this argument—in other words, we certainly hear the environmental concerns, but I think the concern of the small businessman and the effects it has on their businesses mean a great deal, too. All of you have been extremely articulate in pointing out the effects that this moratorium has had on your own particular businesses, and I just merely want to compliment them, Mr. Chairman. I have no questions.

Mr. **Stenholm**. Mr. Dymally.

Mr. **Dymally**. Mr. Chairman, I think I used up my time. It is kind of you to give me some more. But I couldn't pass this opportunity up to, again, express my change of point of view. In the California Legislature, I had a 100-percent voting record on environmental issues, and continue to do so in the Congress.

However, I was impressed by the testimony brought to me privately and my discussions with the oil companies, not only on the whole question of supply of energy, but the protection and the interest they have taken in trying to protect the environment on the coast and the opportunities for some new business ventures for minority businesses.

So, I am hopeful that this committee can send a very strong message, because I think the oil companies have an opportunity to develop a coalition of minorities which has not been present in the past. And this, it seems to me, provides a good opportunity for us, in Congress, to present a different angle to this whole argument.

I understand Mr. Yate's subcommittee will be meeting on the 18th, Mr. Chairman, and I hope he will accept my point of view. I've already written him a letter expressing this position.

Thank you very much.

Mr. **Stenholm**. I really would like to ask a question of all four of you. I would like you to shed a little more light into some of the specific types of small business opportunities that are available concerning OCS operations.

Give me some specifics as to where you are now involved and where, with increased development, there would be more business and job opportunities for you and the members of your organization.

We'll start with you, Mr. Hale.

Mr. HALE. Yes, Mr. Chairman. The membership of the Black Business Association is very diverse. We have membership ranging from companies that can offer services from accounting, banking, pipes and valves, insurance, computer programming, security, transportation, legal services, and, of course, heavy equipment leasing, which is my business.

Mr. LOPEZ. On the Hispanic side, we've, since we got involved with this issue, have been searching practically all of California trying to find specific industries.

I had to go to Washington to find the person who was involved with the dairy business. And, in fact, I carry with me his portfolio on his company, and I've been sharing that with members of the oil companies that I work with.

But there have been some sheet metal manufacturers who have come to me and indicated that they would like to be interested in the industry. And I found a manufacturer of 50-gallon oil drums, as an example, who developed a portfolio we will be sharing with the oil companies.

But all the related services—and, of course, our membership is very diverse and has a lot of services that get provided to them, but we're looking—you know, we've been in the restaurant businesses—in the tortilla-making businesses—for a long time. And our businesses have done very well. But we're now entering the more technological areas and more high tech stuff, and we're just needing that opportunity. And many of our businesses have the capital, have the manpower, the technological skills to get involved in whole new areas. We're looking at the pumps, for example, that are important. We're looking at the diesel motors; we have some Hispanic businessmen that are involved in diesel motors.

We're looking at the gaskets, and there are a ton of those that are ordered.

So, there are just so many opportunities, that our Hispanic community is just waiting for the go-ahead. And we encourage this growth because of that.

Mr. LONG. I would like to comment in two different directions, at the same time.

First of all, you have the direct effects, which anytime you're going to put people out there, not only the people who are out there are going to have the jobs, but all the people who support those who are out there, which are really many more—there are going to be many more jobs onshore than there are going to be offshore. And, of course, all of those people will then, in support of their families, have to have housing and dry cleaning and all the other things that go with it, in support of their particular way of life. I mean, there's a real economic boon in there, and I think that's pretty much straightforward.

And I would say that if you were to contrast what is going on in the North Sea versus what is going on off California, you would see that the jobs that we're talking about really range in the thousands in the direct effect.

Let's talk a little bit about the indirect effect or ones that don't just jump into your mind right away. I mean, if you can see the boats going you know they've got crews on them—and that you can see. Let's talk about the indirect ones.

California has been a high tech State, and the United States has been a high tech country. We have people who are competing with us, but they're still down below us technologically. No one really can compete with us on a one-on-one basis when it comes to quality and the brainpower and the imagination and the guts to go out and do what it takes to do it.

However, one of the things that we need is a place to play, if you will. We need a place to be able to practice our art.

For instance, I practice my art in the North Sea, in Scotland. OK, that's a long way away. And therefore the distance from the impetus, where the problem is, where I'm sitting in my little office or in my workshop trying to solve that problem, is a great distance away. I am at an extreme disadvantage compared to my British competitors.

We have, off California, shallow waters such as you find up in inshore areas around Santa Barbara in the State-controlled areas, all the way to what are well over 1,000 feet just a few miles away. That doesn't happen very often. Most of the shelves leading to the continents are much more gradual in slope.

So, therefore, if you will, no matter what part of the technological development part you're in, you can find that water depth in California.

In other words, we have the area and the challenges and the resources there to bring out, so therefore we can develop our R&D, which, in turn, can perfect our art. Again, we are still the technological leaders. That, in turn, then allows us to sell things into Singapore, into Africa, into Australia, into South America, Brazil, places of that nature.

But as Congress, in its wisdom, shrinks that laboratory down, then for us to operate, we must go to those other areas to do our testing and to do our engineering. And the result is that the competitive disadvantage that we're placed in is rather traumatic. So, therefore, it isn't just the development of this area—when we talk about jobs for California and for small businesspeople, and particularly for business opportunities, right now, if you wanted a technological problem solved, you would either go to Houston or you would come to Los Angeles today.

As time goes on, our customers are now going to Aberdeen, Scotland, and they're going to London, England—so, just to give you an idea.

I hope I've answered your question.

Mr. STENHOLM. Mr. Jauregui.

Mr. JAUREGUI. Other than to echo the comments of the other gentlemen, in regard to our own industry, the opportunities, while people begin using more energy, they become more conscious of the need to conserve it. Obviously, it would create a substantial opportunity for our firm in that regard.

Insofar as the broader spectrum is concerned, my colleague from the Black Business Association and Larry both listed a variety of areas where specific opportunities become available to folks who can offer the kinds of support services that follow logically in that particular industry.

There are a number of Hispanic businesses and other minority businesses throughout California and other parts of the country which can provide support services for this type of operation, given the opportunity.

Historically, the opportunities haven't been there, because when the offshore development was taking place, the minority issue was not in vogue, shall we say, or just coming into its own.

Today, we are at the forefront of the marketplace. And when new enterprises or continuing enterprises are being developed, the term "minority" is a high priority, rather than something which previously wasn't considered at all.

Mr. STENHOLM. Thank you.

I thank each member of the panel for excellent testimony. We appreciate you taking the time to share it with us today.

Mr. LONG. OK, again—I'm sure I speak for all California small businesses—you just can't believe how important it is for us for you to come here. We are the ones who are really grateful, because we don't have the opportunity to do what you can do, and we don't have a chance to have our voices heard. We're just the little people who do the work.

Thanks again. We really appreciate it.

Mr. STENHOLM. That's why we're here.

Thank you.

Panel 3, Ms. Claire DaRe, Mr. Jake Alarid, and Mr. Wes Bisgard.

[Pause.]

We welcome you. We'll call on you in the order in which I recognized you.

Ms. DaRe.

Ms. DARE. You got it right. That's probably the first time in my life.

Mr. STENHOLM. Good day.

We'll recognize the legislative director of the Northern and Southern California Marine Association.

TESTIMONY OF CLAIRE DaRe, LEGISLATIVE DIRECTOR, NORTHERN CALIFORNIA MARINE ASSOCIATION; ALSO REPRESENTING SOUTHERN CALIFORNIA MARINE ASSOCIATION AND MARINAS AND RECREATION ASSOCIATION

Ms. DARE. I'm also representing the Marinas and Recreation Association today. We have about 2,000 businesses between the three of us, all of them considered small businesses. And that's what brought me here today.

For the record, I am Claire DaRe, the legislative director of the Northern California Marine Association, also representing Southern California Marine Association and the Marinas and Recreation Association.

My message today is: Environmentally safe development of America's offshore petroleum resources is vital to small businesses in California.

It is essential that organizations such as the ones I represent continue to be involved in the offshore-leasing public participating process. The viewpoints of a wide cross-section of individuals and organizations is the only way to assure that all stakeholders in the energy development issue are heard from.

We have the 1974 and the 1978 oil problems, and energy problems in this country devastated many of our businesses. Many of the businesses did not recover from those pullbacks or energy problems that were created at that time.

We truly believe that we need to be more energy independent, our businesses need to be able to depend on continuing energy to survive. It's a matter of survival to the small businesses in these associations.

The proposed weekend ban on boating in 1978 never actually came about. But just the fact that it was proposed made boat sales go from 729,000 to 526,000. It devastated the whole industry, and it is just now beginning to recover. The industry is just now beginning to recover. Sailboat sales are still way down—about 30 percent.

My message: We are concerned about the environment. Without a safe environment and a healthy environment, people aren't going to want to go boating.

I don't think that environmentalists and concerns for the environment and proponents of offshore exploration need to be at opposite polarities. I think it can be synonymous. I'm sure it can be synonymous, and that's why I'm here.

I thank you very much for giving us the opportunity to say this. We would not otherwise have the opportunity to present this to you in Washington. We are a nonprofit organization, all three of us—all three of the organizations I represent. And we are very grateful for the opportunity to be able to tell you that, of the 11.5 million businesses in this country, 11 million of them are small businesses, as are all the businesses in our associations.

[Ms. DaRe's prepared statement follows:]

Prepared Statement of Claire DaRe, Legislative Director, Northern California Marine Association

CHAIRMAN STENHOLM, MEMBERS OF THE SUBCOMMITTEE AND STAFF, THANK YOU FOR THE OPPORTUNITY TO TESTIFY HERE TODAY. I AM HERE TO TALK ABOUT THE CRITICAL NEED FOR AMERICAN OFFSHORE OIL AND GAS EXPLORATION AND DEVELOPMENT.

MY NAME IS CLAIRE DA RE. I AM THE LEGISLATIVE DIRECTOR OF THE NORTHERN CALIFORNIA MARINE ASSOCIATION, AN ASSOCIATION WITH 360 MEMBER COMPANIES THROUGHOUT NORTHERN CALIFORNIA. IN ADDITION TO THE VIEWS OF NCMA, I AM ALSO HERE TODAY TO BRING YOU THE SAME MESSAGE FROM THE SOUTHERN CALIFORNIA MARINE ASSOCIATION, WITH 800 MEMBER COMPANIES, AND THE MARINA AND RECREATION ASSOCIATION, WHICH REPRESENTS 804 MARINAS THROUGHOUT CALIFORNIA.

MY MESSAGE TODAY IS: ENVIRONMENTALLY SAFE DEVELOPMENT OF AMERICA'S OFFSHORE PETROLEUM RESOURCES IS VITAL TO SMALL BUSINESSES IN CALIFORNIA.

IT IS ESSENTIAL THAT ORGANIZATIONS SUCH AS THE ONES I REPRESENT CONTINUE TO BE INVOLVED IN THE OFFSHORE LEASING PUBLIC PARTICIPATION PROCESS. THE VIEWPOINTS OF A WIDE CROSS-SECTION OF INDIVIDUALS AND ORGANIZATIONS IS THE ONLY WAY TO ASSURE THAT ALL STAKEHOLDERS IN THE ENERGY DEVELOPMENT ISSUE ARE HEARD FROM.

OUR INDUSTRY, RECREATIONAL BOATING, PROVIDES $9 BILLION A YEAR TO THE ECONOMY OF THIS NATION. THE CALIFORNIA BOATING

INDUSTRY SUFFERED SEVERE FINANCIAL HARDSHIP DURING THE 1973-74 ARAB OIL EMBARGO AND AGAIN DURING THE 1979-80 OIL CRISIS. A NUMBER OF MEMBERS -- SMALL BUSINESS OWNERS -- OF THE ASSOCIATIONS I'M REPRESENTING HERE TODAY WERE FORCED OUT OF BUSINESS DURING THOSE INTERRUPTIONS.

GASOLINE AND DIESEL FUEL SHORTAGES HAVE AN IMMEDIATE, SEVERE AND PAINFUL IMPACT ON THE BOATING INDUSTRY. OUR LIVELIHOODS ARE DIRECTLY THREATENED BY WEEKEND BOATING BANS, ACTUAL OR JUST PROPOSED.

BOAT SALES WERE AT AN ALL-TIME HIGH OF 729,000 FOR THE YEAR JUST PRIOR TO THE FIRST ENERGY CRISIS A DECADE AGO. IN 1975, BOATING SALES DROPPED SHARPLY TO 569,700. MANY SMALL BUSINESSES IN OUR INDUSTRY WERE PUT OUT OF BUSINESS BY TWO MAJOR FACTORS BACK THEN: THE PROPOSED CONSERVATION MEASURE OF BANNING WEEKEND BOATING AND THE AILING ECONOMY CAUSED BY THE ENERGY CRISIS.

THIS KIND OF SCENARIO WAS TRUE FOR THE AMERICAN TOURISM INDUSTRY AS A WHOLE. GASOLINE SHORTAGES DURING THE MOST RECENT CRISIS IN 1979 SEVERELY AFFECTED TRAVEL-RELATED BUSINESSES THROUGHOUT THE UNITED STATES. THAT IS DOCUMENTED IN A STUDY BY THE TRAVEL INDUSTRY ASSOCIATION OF AMERICA. THE STUDY ESTIMATED THAT 250,000 TRAVEL INDUSTRY EMPLOYEES ACROSS THE NATION WERE LAID OFF DUE TO GASOLINE SHORTAGES DURING THE 1979-80 IRANIAN REVOLUTION OIL CRISIS. THE TOTAL IMPACT ON TRAVEL INDUSTRY EMPLOYMENT: 500,000 JOBS LOST.

ENVIRONMENTALLY SAFE DEVELOPMENT OF AMERICAN OFFSHORE ENERGY CAN PLAY A SIGNIFICANT ROLE IN PRESERVING OUR ECONOMIC GOALS OF PROTECTING BOTH OUR NATURAL AND HUMAN ENVIRONMENTS -- AND SHAPING CALIFORNIA'S FUTURE FOR DECADES TO COME.

TODAY, THE UNITED STATES IS 20 PERCENT MORE ENERGY EFFICIENT THAN A DECADE AGO. BUT WE ARE STILL SUSCEPTIBLE TO THE SAME KINDS OF ECONOMIC CONSEQUENCES THAT ENSUED FROM THE TWO OIL SHOCKS OF THE 1970S. IN HUMAN TERMS, AS MANY HAVE FORGOTTEN, THE 1973-74 ARAB OIL EMBARGO AND THE 1979-80 IRANIAN REVOLUTION OIL SHORTAGE WERE PAINFUL.

IN THE LATE 70S, WHEN OUR NATION WAS STILL RECOVERING FROM THE OIL EMBARGO, CONGRESS SET A NATIONAL PRIORITY: TO ACHIEVE AMERICAN ENERGY SELF-RELIANCE. ONE INGREDIENT IN THAT PLAN WAS EXPANDED EXPLORATION AND DEVELOPMENT OF AMERICA'S OIL AND NATURAL GAS RESOURCES ON THE OUTER CONTINENTAL SHELF. CONGRESS CREATED THE ACCELERATED FIVE-YEAR LEASING PLAN FOR THE OCS TO IMPLEMENT THIS POLICY. A SIMILAR PLAN IS NOW BEFORE CONGRESS FOR THE NEXT FIVE-YEAR LEASING PROGRAM.

HAD THE WILL OF CONGRESS BEEN CARRIED OUT THEN, HAD WE AS A NATION NOT LOST SIGHT OF OUR NATIONAL PRIORITY, WE WOULD BE MUCH CLOSER TO ENERGY SELF-RELIANCE TODAY. I ENCOURAGE YOU TO CONTACT YOUR COLLEAGUES AND HAVE THEM SUPPORT THE DEPARTMENT OF INTERIOR'S NEW DOI FIVE-YEAR LEASING PROGRAM.

CLAIMS THAT EXPLORATION AND PRODUCTION OF OFFSHORE OIL AND GAS WILL DAMAGE THE OCEANS AND POSE A THREAT TO THE NATION'S COASTLINE ARE FALSE. THE OFFSHORE ENERGY INDUSTRY HAS AN EXCELLENT SAFETY RECORD. OFFSHORE ENERGY DEVELOPMENT IS GOVERNED BY TOUGH FEDERAL, STATE AND LOCAL LAWS AND REGULATIONS -- LAWS AND REGULATIONS ALREADY ON THE BOOKS.

TODAY, ~~IT IS~~ NOT PRODUCTION OF MORE OIL THAT IS CRITICAL, BUT EXPLORATION FOR THE OIL NEEDED TO THWART FUTURE ENERGY CRISES. CONSIDER THAT IT TAKES AS LONG AS EIGHT TO 12 YEARS -- AFTER A LEASE SALE -- TO BRING MOST NEW OFFSHORE FIELDS INTO PRODUCTION. AMERICA CANNOT WAIT FOR THE NEXT EMERGENCY BEFORE TAKING ACTION.

IF HIT WITH ANOTHER ENERGY SHORTAGE AND SKYROCKETING FUEL PRICES, THE CALIFORNIA TOURISM INDUSTRY AND THE BOATING AND MARINA INDUSTRIES -- THOUSANDS OF SMALL BUSINESSES -- WOULD SUFFER SIGNIFICANT ECONOMIC LOSSES. MORATORIUMS ON OUTER CONTINENTAL SHELF LEASE SALES ONLY INCREASE THE POSSIBILITY OF FUTURE SHORTAGES.

WHY SHOULD OUR FATE REST WITH UNSTABLE FOREIGN OIL SUPPLIERS WHO HAVE GUNS POINTED AT EACH OTHER? AS A MATTER OF PUBLIC POLICY, WE SHOULD BE ENCOURAGING DOMESTIC PRODUCTION OF OIL; NOT DISCOURAGING IT.

WE URGE YOU TO TAKE RESPONSIBILITY FOR OUR FUTURE, FOR OUR NATION'S FUTURE. WE URGE YOU TO TAKE ACTION, AND TAKE THE CASE FOR OFFSHORE ENERGY DEVELOPMENT TO YOUR COLLEAGUES IN CONGRESS.

WE NEED YOUR LEADERSHIP.

THANK YOU.

Mr. STENHOLM. Thank you.

Next, we'll hear from Mr. Jake Alarid, former national chairman, American G.I. Forum, Whittier, CA.

TESTIMONY OF JAKE ALARID, FORMER NATIONAL CHAIRMAN, AMERICAN G.I. FORUM, WHITTIER, CA

Mr. ALARID. Thank you, Mr. Chairman.

My name is Jake Alarid, and I'm from Whittier, CA. I am the former national chairman of the American G.I. Forum. And I'm here today representing the national chairman, Mr. Eduardo Bernaldez, who cannot be here today.

The American G.I. Forum is a national Hispanic veterans' organization, with membership of over 100,000. And while we address the issues of veterans, we are also concerned with the issues that affect our citizens throughout our country.

I happen to be a businessman. I'm in Congressman Dymally's area. I have a business in the Paramount-Bellflower area. And I am actively working with the Hispanic community.

I, like many others who believe in the American dream, own a small business. And on occasion I have to advise some of my clients. I have seen, when we have a strong economy, the rise of privately owned Hispanic businesses. And I have seen the decline in those businesses as we're impacted by the effects of a recession.

For example, we all witnessed the energy crisis which we had in the 1970s. Without a doubt, I think it has a great impact in all our lives. It affected our communities and affected our families. And like some of our witnesses here have stated, some of those people have not recovered.

I, myself, am from northern New Mexico, where I was born and raised, a farming community, where I saw, because of the shortage of oil and shortage of gasoline, people who lost their businesses in agriculture and ranching. And those people who, at one time, had large acreages of land had to sell out to people who could afford it.

In the end, the poor businesspeople were unable to get the fuel that they needed to operate their tractors and their machinery. And the rich people that had money were still able to get the gas, and they were the people that eventually became the owners of these vast parcels of land.

I don't think that we, as Americans, want to be subjected to another shortage and see the negative effects that have taken place in our country.

As a member of a minority community, I can tell you that the impact goes across the board. I venture to say that 75 percent of our economy is based on our oil supply. And it affects not only our automobile industry, it affects a shortage in machinery, it affects our educational system, and it affects mostly those poor people, those minority people who can least afford to get an education because they can't get there because they don't have jobs that are created by oil, the oil industry. And when we're talking about the oil industry, we need oil to build machines, we need oil to build products. And whether we're talking about hiking boots, whether we're talking about fishing equipment, whether we're talking about machinery, or cameras that are used on the space shuttle, we can actually trace those products that were manufactured with our oil basis—some kind of oil—oil had to do something with it.

We are concerned about oil. We are concerned about our economy.

And I think that a global disruption with an oil crisis would be very detrimental.

We feel that with our advancing technology, we have that technology to safeguard the drilling for oil and to take care of our economy, take care of our ecology, and preserve the things that we are also concerned about.

But we do need the oil, we do need businesses. We would like to see more small businesses prosper, instead of having, as we've seen, a very large number of small businesses go bankrupt in the last few years.

I, myself, as a member of the American G.I. Forum, work with SER on a national basis. We work with communities throughout the country. I have seen the effects that oil has on our communities, especially on our minority disadvantaged communities.

Like you heard testimony from some of the other people, we are an emerging population, the Hispanic community. And we feel that we can work with the big corporations, with the oil industry, and with other organizations that are interested in the propelling of our economy.

In the interest of our country, as a veteran, myself—I did service in Korea, with the U.S. Marine Corps—and I don't want my kids, or our kids, I don't want our country to get involved in another conflict like that.

I think if we conserve, if we plan, and if we manage our energy, everybody will benefit.

We have the capabilities, like I stated before, to advance in those areas and to explore. I think that we should go about it.

I certainly want to thank you for coming down here and giving us the opportunity to express our comments in this area.

[Mr. Alarid's prepared statement follows:]

Prepared Statement of Jake Alarid, Former National Chairman, American G.I. Forum

Mr. Chairman, members of the subcommittee and staff. My name is Jake Alarid. I am the former National Chairman of the American G.I. Forum and am here today representing the onging support for offshore development by the current National Chairman, Mr. Eduardo Bernaldez.

The American G.I. Forum, with a membership of more than 100,000, was organized in 1948 with an emphasis on veteran's affairs, but now also includes a focus on the full range of Hispanic social and economic concerns. We are the largest Hispanic veterans organization in the nation.

I would like to take this opportunity to address the concerns of Hispanics and the involvement of our small business community in energy development off the coast of California.

I, like many others who believe in the American Dream, own a small business. As a small businessman, I advise many clients who operate their own enterprise or would like to start one. Many of my clientele are Hispanics whose aspirations to become self-employed rise during a strong economy and decline during recessionary periods. Hispanics are severely impacted by the ill effects of recessions and oil shortages. When times are good, we tend to benefit; but well after the more affluent. Perhaps this is a rule of thumb.

As can be witnessed today, Hispanic leaders in California and across the nation have become energy conscious and involved in the policy issues directly affecting the future availability and stability of energy supplies. We do not want to be subjected to another oil shortage and the negative after effects. By the same token, we want to participate in the process of developing domestic energy reserves and to benefit from the concurrent economic impact.

Without a doubt, the development of the Outer Continental Shelf has become highly controversial in California. As a veteran's organization, we understand the opposition to offshore drilling and the environmental sensitivities. Veterans have witnessed disregard for the environment elsewhere and do believe that adequate government regulations and industry safeguards have -- and will -- continue to protect our valuable natural resources.

As former chairman of the American G.I. Forum, I became a supporter of OCS development after careful review of many factors. I felt it was important to support a reduction in dependency on foreign oil and to maintain a strong defense. It also became obvious that an international incident could result in a global oil disruption which in turn might lead to armed conflict. However remote this possibility, the occurrence of either an oil crisis or international conflict necessitated taking an official position supporting offshore development.

Hispanic veterans have served this country by being at the forefront of national defense. As small business owners, the Hispanic veteran is generally resourceful and provides employment for others in the immediate community, thus contributing to the fact that the small business sector provides the bulk of employment in the United States.

The American G. I. Forum has been committed to promoting political and educational opportunities for Hispanics. Many of my fellow Forum members have acquired abilities and skills in the work force and are now starting their own businesses. Their perseverance is paying off as they assume leadership in the growing and dynamic Hispanic business class. I foresee the day when we move beyond promoting opportunities -- to creating our own.

Until then, I speak on behalf of fellow Hispanics and veterans who are concerned with maintaining and improving the livelihood of our communities. The emerging business class in Hispanic communities can only benefit by an expanding economy. The American G.I. Forum is working with "corporate America" to identify areas of cooperation in facilitating the full participation of Hispanics in a free economy.

The ever present threat of another oil shortage prompts me and many of my colleagues to speak out on this issue. Another oil shortage or recession would be detrimental to our

COMMUNITIES, ORGANIZATIONS AND LEADERSHIP JUST AS THEY ARE BEGINNING TO EMERGE AND SOLIDIFY.

ENERGY RESOURCES ARE THE LIFEBLOOD OF AN INDUSTRIAL SOCIETY. IT IS IMPERATIVE THAT THE FUTURE WELL-BEING OF CALIFORNIA AND THE NATION BE ENSURED BY SUPPORTING EFFORTS TO EXPLORE AND PRODUCE OIL AND NATURAL GAS RESOURCES ON THE OUTER CONTINENTAL SHELF. SUCH DEVELOPMENT SHOULD BALANCE THE NEEDS OF OUR CITIZENS, THE PROTECTION OF OUR NATION AND ITS ENVIRONMENT.

THANK YOU.

Mr. **ALARID**. Thank you.

Mr. **STENHOLM**. Now, we'll hear from Mr. Wes Bisgard, San Diego County Farm Bureau.

TESTIMONY OF WES BISGARD, FORMER DIRECTOR, CALIFORNIA FARM BUREAU FEDERATION, IMPERIAL VALLEY, CA

Mr. **BISGARD**. Chairman Stenholm, members of the subcommittee and staff, my name is Wes Bisgard. And I'm not representing the San Diego County Farm Bureau. I'm a farmer from Imperial Valley, CA, which is located 120 miles east of San Diego. Imperial County is the seventh most productive agricultural county in California and one of the largest agricultural producing counties in the country.

I'm also a past president of the Imperial County Farm Bureau and a former director of California Farm Bureau Federation. I am representing the California Farm Bureau Federation today.

The California Farm Bureau Federation is a voluntary, dues-supported, nongovernmental organization, with a membership of approximately 100,000 families in agribusinesses throughout the State.

I am here today to state that the California Farm Bureau Federation strongly supports environmentally responsible development of this country's offshore oil and natural gas reserves. We are opposed to moratoriums, long-term or year-to-year. We encourage the maximum growth of the domestic petroleum industry and maximum additions to the domestic reserves.

We believe the advantages of the offshore development far outweigh the disadvantages. We believe offshore energy can be produced in an environmentally safe way.

The newspapers have been full of the information—and most of us are aware that read them—that the American farmers are facing enormous difficulties today. Nearly 30 percent of the Nation's farmers are sliding toward insolvency, and an estimated 12 percent of the farmers will go out of business this year.

I am a small businessman and a farmer. I have 400 acres, raising alfalfa and wheat. I have been farming since the early 1950's, and our family has been farming for two generations before that—and probably for many generations before that in Denmark. Even in agriculturally rich California, farmers are facing crises. In Imperial County alone, nearly 10 percent of our farmers are facing some kind of hardship: Crop failure, loan repayment problems, foreclosures, or falling land and crop prices. Farming is an energy-intensive industry, a small business. As a small businessman, I am severly affected by price changes and fluctuations in the market. I own 8,000 gallons of diesel fuel storage. Prior to OPEC emgargo in 1973, I could fill that storage for $800; today it costs me $8,000.

Another thing that we're faced with in the energy problem in California is the natural gas crisis, which has shut down almost 100 percent of our anhydrous-ammonia-producing facilities in the State.

In El Centro, we have one that was built by a farmer-owned cooperative which subsequently went broke due to the cost of natural gas. That was about a $35 to $40 million facility at the time it was built, and it probably costs $100 million to build it today. It's just sitting down there rusting away. This isn't the only one; they are all over the State of California.

Now, we've been involved in all kinds of different schemes to try to bring in natural gas. We've dealt with the Pacific Lighting Group to bring in the highly compressed natural gas, which I think has fallen by the wayside at this point.

My best hope would be that due to this—this research and drilling that we're doing off the coast—we can find some tremendous supply of natural gas. It would be the greatest thing that could happen as far as our fertilizer is concerned.

California is the largest agricultural State, and agriculture is big business in California. The raw product value from California farms is $14 billion a year. To illustrate the importance of the agricultural community to the overall economy, the California Crop and Livestock Reporting Service estimates that for every dollar of farm receipts, three additional dollars are generated in the State's economy. This means agriculture contributes $55 billion a year in California.

Now, we cannot farm anymore with horses, we cannot run our trams through the cities with horses. We have to have energy to do it.

Of course, if we did use horses in town to run the trolleys, we'd sure solve the unemployment problem in a hurry. It would take all the people in Los Angeles to clean up behind them. But that isn't going to happen.

Right now, we are using up more oil and natural gas from our domestic reserves than we're finding. The old wells are running dry. They must be replaced by new ones from new fields. Geologists say that the Federal Outer Continental Shelf area may contain up to one-half of our Nation's future petroleum resources.

Future oil shortages would not only hurt agriculture, but all Americans. And if we run into another embargo, we're probably going to be losing a lot of our business people. We also care about the environment. That is, we live in the environment, we grow things out there, and we have problems with smog and we have problems with all sorts of other different things that affect the environment. We'd like to see it kept as clean as it's humanly possible to do. But we can't all just sit here on the beach and starve to death. We have got to keep on raising something for people to eat.

We are pleased with the scope of the Department of the Interior's current 5-year leasing program and hope that even more offshore land will be opened up for exploration and development in the second 5-year leasing program which the Department is now drafting. We hope to participate in that process.

The health of California agriculture—the health of American agriculture—is vital for all of us. Environmentally safe development of American offshore energy resources can play a significant role in preserving American economic security—protecting both our natural and human environments—and shaping the Nation's future for decades to come.

On behalf of the 100,000 families and businesses of the California Farm Bureau Federation, we urge you to oppose all forms of moratoriums on the development of American offshore energy resources.

Thank you for the opportunity to present our views.

Mr. **Stenholm**. Thank you.

Before we proceed with the questions, I would like to recognize Dan Lungren, the Congressman from the 42d District of California—who has just joined us.

Dan, any comments you'd like to make at this time would be very much in order.

TESTIMONY OF HON. DANIEL E. LUNGREN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. **Lungren**. Well, thank you, Mr. Chairman. I appreciate the chance to be here; although I won't be able to be here through the entire hearing, I wanted to be here to show my support for the inquiry we have going on as a result of this hearing. This is, as you know, somewhat of a controversial issue, but it's one that deserves to be examined from all sides. I appreciate the opportunity that your subcommittee is giving us a chance to view a number of different sides of this issue.

I happen to represent a coastal district. I may be the only Congressman in California representing a coastal district who has not supported the moratorium, not because I like to see a lot of oil wells sitting out there offshore, but because I think we need to have a case-by-case analysis and to recognize that not only is it important to protect our environment, but it's also important to make sure that we have a balanced view in that direction and that the job component and the energy component and the overall economic component be fully understood as well.

I appreciate your invitation to allow those of us representing California to attend these hearings, and I appreciate the attendance of all of my colleagues here, Mr. Dymally and Mr. Broomfield, because it is an issue that does need attention.

I would also just like to thank those members who are appearing before us now, as well as others—they're making a contribution to the record that needs to be made so that Congress can act in an appropriate fashion.

Thank you, Mr. Chairman.

Mr. **Stenholm**. Thank you.

Mr. Broomfield, a question?

Mr. **Broomfield**. I don't have any questions. I'm just happy to see our two Members from California, Congressmen Lungren and Dymally, here. It is an extremely controversial subject, I have found.

Coming from Michigan, of course, we have our own problems out there. But I am particularly interested, obviously, in the effects on small business and so forth.

It seems to me that one of the major problems here is trying to get everybody together and to get some decisions made.

It's as much a political decision as anything else.

I think these hearings are useful, and I just am happy to hear how people are—the ones who are testifying, how they feel about this important subject, Mr. Chairman.

Mr. **Stenholm**. Mr. Dymally.

Mr. **Dymally**. Just one question for the G.I. Forum.

Has the Forum been in touch with the Hispanic members of the California delegation about your views on this subject?

Mr. **Alarid**. Yes, the G.I. Forum, we had Mr. Lopez here representing an Hispanic organization and other members of the American G.I. Forum and Mr. Mario Bledo from LULAC. I think that we're all in agreement on the issue, that we're supporting offshore development.

Mr. **Stenholm**. Have you been in touch with the Hispanic members of the California congressional delegation?

Mr. **Alarid**. Oh, oh, oh. I'm sorry. Yes.

We do, with Mr. Richard Alatorre and Ms. Gloria Molina.

Mr. **Stenholm**. No, the Congressmen, Members of Congress.

Mr. **Alarid**. I keep in touch with—in fact, I was meeting with Mr. Torres' people yesterday and with Marty Martinez. Those are the only two people that I——

Mr. **Stenholm**. I think it is important, given the controversy within the California delegation with regard to this issue, that you keep Mr. Roybal, Mr. Torres, and Mr. Martinez informed about the views of the coalition which you have put together on this subject. I'm quite sure that in the not-too-distant future, this matter is going to be coming before the California delegation again; they need to know what your position is before this subcommittee.

Mr. **Alarid**. We intend to convey our position with Congressman Richardson, who will, in turn, hopefully get together with the other delegations.

Mr. **Stenholm**. Yes; but because the California delegation feels so strongly about this issue——

Mr. **Alarid**. Yes, I understand.

Mr. **Stenholm**. They need to know directly from you, rather than through Bill, who I know will do a good job.

This probably is as California-oriented an issue as any issue before the Congress, and I think they need to hear your views about this.

Mr. **Stenholm**. Mr. Bisgard, I share a lot of your sentiments. I, too, am a farmer in central West Texas, good old dry West Texas. I understand fully what you mean when you talk about your storage problems, the costs, et cetera. I also have a full appreciation of the environmental side of this question.

The 17th District of Texas doesn't have any offshore production. In fact, we're a long way from the shore. But we, too, have problems and environmental concerns that must absolutely be addressed.

I have a question for Ms. DaRe. It would seem to me that within your association, from the recreational portion of your industry, there might be more controversy than you have indicated within your testimony.

Ms. **DaRe**. It's a very controversial issue within all of the organizations related to boating, of course. We all want clean waterways; we all need to be able to sell our products, or we have no business. We have to have a way to guarantee that Iran and Iraq and whomever else supplies us will not have the kind of effect that they had on us in 1974 and 1978. We couldn't survive another crisis like that.

When it came down to voting, for my people to tell me the image and the stance that they wanted me to take, it was a close vote. They all came down to reality: "I have to make a living, I can't be dependent on foreign oil sources. It has been proven that it is environmentally safe. Let's go for safe, environmentally sound, offshore exploration."

We think the exploration right now is even more important than the actual drilling; when it comes to drilling for it, it takes so long to bring a well up that we wouldn't be protected right now. We would not be protected. There's no way to protect us.

Mr. **Stenholm**. So, then, your organizations have recently taken votes regarding this issue.

My question, then, is the same one Mr. Dymally asked of Mr. Alarid. Are you making contacts with the members of the California congressional delegation, expressing the views that you have shared with us today?

Ms. **DaRe**. I have written many letters, most of which I have had no response to, by the way, from our Congresspeople.

I have tried to make appointments—when I go to Washington, I have tried to make appointments with the California people, Congressmen Anderson, Doug Bosco, Bob Matsui, Pete Stark, George Miller—all the people whose members are in our association that are the constituents of those people.

Senator Wilson wouldn't see me. It wasn't an issue he felt like discussing.

It's very difficult. I wanted to say something, but I thought no, be nice, and be quiet for a change.

Mr. **Stenholm**. It's safer.

Ms. **DaRe**. They are very——[Laughter.]

Mr. **Dymally**. That's easy for you to say.

Ms. **DaRe**. They're not responsive. I am lucky to get any response—a form letter, "Thank you very much. I will take your opinion into consideration. Good-by."

Mr. **Dymally**. May I give a suggestion to you?

I think you ought to get some of your local members in the various waterways that you represent to meet them at home when they come home for weekends or during the recess. I think that is another tack you might want to take, not as an excuse for them, but sometimes the Washington schedule is an impossible one. Mr. Broomfield will tell you that he and I worked up to 11:30 the other night, and I had to cancel everything that day, and it offended some of the people who came to see me.

But I think the most effective way is to take a delegation of three or more and use various areas and go see them when they come home.

Ms. DaRe. I'll take that into consideration.

Thank you.

Mr. Stenholm. Thank you.

Let me thank each of you, the members of this panel, for taking your time to testify today. Your testimony is very helpful to us, and we appreciate it.

[Pause.]

We're doing quite well on time. I appreciate all of those witnesses for having followed, to the best of your ability, my request to try to stay within the 5-minute rule.

Your entire statements, both written and oral, will be made a part of the record.

Since we apparently have had a few errors in witness identification, I will only recognize you by name on future panels. Please identify the association or the individual that you are here representing. I think this might save time and eliminate confusion.

Our next panel, panel number four, includes Mr. George Scarvelis, Mr. Steven Carnevale, Mr. Chris Townsend, and Mr. Albert Androsky.

TESTIMONY OF GEORGE SCARVELIS, CALIFORNIA LEAGUE OF COASTAL CHAMBERS, SANTA BARBARA, CA

Mr. Scarvelis. I should mention before we begin that Mr. Carnevale will not be in attendance today. He was called away on business earlier this morning.

Mr. Chairman, members of the subcommittee, my name is George Scarvelis. I am the governmental affairs director for the Santa Barbara Chamber of Commerce. Today, however, I am representing the California League of Coastal Chambers. The CLCC is an association of 26 coastal chambers of commerce, from San Diego to the San Francisco Bay area. Together we represent a membership in excess of 25,000 businesses along the coast of California.

The league was first formed in 1979 in order to solve some of the problems introduced by the Coastal Act as developed by the California Coastal Commission. Our primary goal at that time was to assist coastal cities and counties in the development of the local coastal program.

Our primary efforts were educational and served to help communities organize to meet the challenge of local coastal program development. More recently, with the expansion of OCS leasing and its concomitant exploration and development activities, the CLCC has started a program of education on this issue.

Among other things, we'll be providing our membership with ongoing legislative monitoring of coastal State tidelands and OSC-related legislation. Our primary goal, again, will be to assist coastal communities to meet the challenges of offshore oil development along the coast of California.

In regard to the specific question of this hearing, due to the fact that we received your invitation at a somewhat late date, we were not able to survey the entire membership of the league. However, 20 of the 26 members were contacted.

Of these, the Greater Ventura Chamber of Commerce, although a member of the CLCC, will be presenting testimony on its own today a little bit later on. My testimony should not in any way detract from Ventura's.

Our testimony will be somewhat equivocal. I acknowledge the statements of previous speakers regarding the impacts of OCS development on small business and the need for increased development to assist small business in all phases.

I'll preface my remarks, however, by stating that among the chambers which constitute our membership, there are differences in policy and attitude toward offshore oil development. The bulk of our members are not located in areas with present or planned OCS development. Many, consequently, have adopted policies that oppose offshore development in their vicinity. Others have moderated this position somewhat, while still others support oil development wholeheartedly.

It is important to note that our comments concern existing businesses that are currently related to the offshore oil industry. Of the CLCC members surveyed, the vast majority indicated that there has been no effect on small business resulting from leasing moratoria, or if there has been, the effect is impossible to quantify in terms of lost dollars, lost business or unemployment.

Four of our members indicated that there has been some effect. Of these, the first three commented that the effects were probably minimal, but difficult to quantify. The fourth is Ventura and their comments show that the effect has been substantial.

It is important, before we proceed, to clarify why the survey has given these results. By far, the most significant reason is that—again, qualifying this by stating that we are concerned with existing businesses that are currently servicing offshore activities—by far, the most significant reason is that in those areas without current offshore activities, the oil service infrastructure is small, if not totally nonexistent.

The response from these communities—San Diego, Orange County area and others—is therefore, one, no effect, or, two, little effect, or, three, effects not quantifiable.

With no businesses currently dependent on the offshore oil industry in these areas the impact is necessarily vague.

In the case of Ventura and Santa Barbara, with historic offshore activity, the message is different.

I will not speak to the situation in Ventura, again, since I've stated they will present their own testimony. But, I will go so far as to state that the oil service industry on the west coast is located primarily in Ventura County. The impacts there, of course, will be quantifiable and will be substantial.

As for Santa Barbara, the impacts are difficult to quantify, but are substantial. For many firms in the Santa Barbara area the Santa Barbara Channel is no longer the location of much of their business. Indeed, for many it is now Alaska and the North Slope.

The reality of this is that much of the oil service industry in the Santa Barbara-Ventura Counties region currently is experiencing a period of slow business and underemployment. Again, however, in the Santa Barbara area this is difficult to quantify. We are not able to present clear numbers, but it is very real.

Although oil has figured strongly in the history of California's economy, this has been onshore production primarily, with offshore development constituting only a small fraction of the total production for the State. Because of this, the service industry for offshore development has become established in only a few coastal communities.

In those regions where offshore exploration and production has not yet occurred, the location of most of the moratoria, by the way, few small businesses related to the oil industry exist. If the moratoria were not in effect we might see the gradual development of the service industry infrastructure in other areas, as well as additional activity and employment for existing businesses.

Certainly expansion of OCS activities will prove beneficial in the long run to business in general throughout California.

In summary, however, the CLCC wishes to state that the effect of the leasing moratoria on small business has had little quantifiable effect in most areas of the State due to the absence of an established service industry infrastructure.

Only in those areas of historic offshore activity has there been a substantial effect on existing businesses, and that has been in the Santa Barbara and Ventura County region.

That concludes my remarks. Thank you.

Mr. Stenholm. Mr. Androsky.

TESTIMONY OF ALBERT ANDROSKY, BOARD MEMBER, NO OIL, INC., PACIFIC PALISADES, CA

Mr. Androsky. I live in Pacific Palisades. I had lived in several areas in which energy resources were exhausted. I've lived in Westerly WV. It is a ghost town. I lived in Kingston, WV. It is a ghost town. I lived in Minden, WV. It is a ghost town. I lived in other communities which became ghost towns as a consequence of the exhaustion of the fixed resources that were under that earth.

I lived in steel mill towns, and we've seen the steel industry virtually collapse as in the Youngstown area, not too far from Congressman Broomfield's area.

These are disaster areas. They are disaster areas in part because the resources upon which those communities were built collapsed. We don't want a repetition of this.

If viewed in the context of the national interest, I think the question is, will the drilling for oil and gas resulting from lifting the moratorium in Santa Monica Bay be competitive with other means of providing the necessary energy for small business, large business, and the Nation?

Will lifting the moratorium form a more perfect union? No, it will probably aggravate the disparity between small business and large business.

In the oil crises that resulted in the 1970's it was not the giants of the industry that went out of business. It was the small independent producers, the small independent service stations on the corner, and those people who supplied articles to those businesses.

Will lifting the moratorium establish justice? No, it will use the resources owned in equal measure by all Americans for the primary benefit of the few.

Will it produce domestic tranquility? All of us remember the horrible gas lines. Some of us have fading memories however about the people who were living in apartments in Detroit, and Chicago and in New York City, where they could not afford to heat those apartments because of the exorbitant costs of fuel that they had to use.

The oil companies have told us that they would provide the energy at an affordable price. But they failed to do so. As a consequence, we have had a bitter and a prolonged recession which for more than 8 million unemployed is still with us. Furthermore, we have had a massive transfer of the Nation's wealth to the oil producers.

I believe that a lifting of the moratorium will merely continue the vulnerabilities of America into the future.

Will it provide for the common defense? A nation with oil reserves has reserves which it can rely upon in the event of a national emergency. A nation which has used up those reserves is subject to blackmail. The umbilical cords of our current energy system bind the American economy together, and they have created a marvelously efficient economy, but at the same time they've created an economy that is vulnerable to terrorist acts or to massive disruptions in the event of hostile attacks upon us. I argue in part toward a renewable energy source to reduce that interdependence and to permit the creation of new and viable economic centers which are far more independent.

At the present time the California Energy Commission, for example, estimates that 10 times as much tax incentives go into support fossil fuels and nonfossil fuels. This is a major reason that other forms of energy such as those based upon renewable resources have not been able to compete successfully with the oil industry. If we lift the moratorium, we merely prolong the subsidized reliance upon oil and gas.

Now, to a hardpressed small businessman, to an individual struggling to make ends meet, to the elderly, to the poor, it makes very little difference if the fuel supply is interrupted through an outright denial of oil as by Iran, or perhaps possibly Saudi Arabia, or Libya. If he is denied the use of oil or fuel because the price is prohibitive so you can no longer afford it, he is also ruined.

Witness the number of small businesses and large businesses that collapse largely as a consequence of the great increases in fuel costs.

We have people here testifying eloquently to the importance and contributions of California technology. I've worked in a major Federal contract research center where we were concerned with new venture development, including energy. We have a marvelous reservoir of capabilities, not only here in California. The California capabilities are matched in Minneapolis, Michigan, Boston, Baltimore, Washington, DC, Florida, Texas, and Seattle. But the thing that we see, or are beginning to see, is a repetition of what has occurred before. Most of us who were old enough to remember World War II remember that the only significant optical industries in the world were really those of Germany and the United States. Within a relatively few years Japan was beating our tails off with respect to the sales of cameras.

We pioneered in the development of television and radio. Within a few years Japan was beating our tails off in those areas. The same thing happened with respect to automobiles. Japan geared the government resources to making those particular industries competitive.

Japan has two primary priorities now in their science and technology agency. One of them is the development of a fifth generation computer where they are making giant strides, but the other is in the development of renewable energy sources such as solar energy.

I was astounded 15 years ago in putting out the first solar energy report that I had done to find that in Japan 2½ million homes were heating their hot water by solar energy insulations on their rooftops. Two and a half million when all that we had was a sprinkling of them in Pasadena, Florida, and Arizona. The lead in solar technology which we had, had disappeared by the 1960's.

But we can see the repetition beginning to happen again. And if our Government priorities are directed toward the fossil fuels, the other potential capabilities that we have for energy production will suffer.

By 1990, oil and gas are estimated to be the most expensive means of producing electricity in California. Oil and gas will be more expensive than coal, nuclear, solar, wind, cogeneration, and geothermal.

In California, merely by enacting State and local regulations mandating the use of solar in new construction wherever cost-effective, 81 million barrels of oil have been saved annually. And when we're talking about the use of solar in homes we're talking about the construction where skills are available but currently not being used because of a slow housing market; where the skills to place insulation in the walls are present; where people are currently available to put solar installations on the rooftops.

As an example of what can happen to a businessman, a building up in Sacramento, 257,000 square feet was constructed with only a small additional cost to provide for a solar capability. The energy costs, the energy savings in that building, are estimated to be 30 to $60 million over the life of that building. You can translate that into barrels of oil, or you can translate it into the amount of natural gas that is saved.

Existing technology that's available in Detroit can bring about a 50-percent gain in miles per gallon by the year 2002 with the existing technology, and given the genius of Detroit, if directed, they could probably improve significantly upon that.

Ethanol powered automobiles are expected to be cost-competitive by the early 1990's, or perhaps as soon as the late 1980's. Ethanol is a fuel that's available now for 90 cents to $1 per gallon at the production level.

When we're talking about jobs to produce the same amount of energy as is produced by coal, by nuclear, or by oil, by moving into solar four times as many jobs are created. These resource technologies in solar, geothermal, ocean thermal temperature difference, and a host of others, represent the new wave of the future, and they will permit the creation of new industrial, commercial, and agricultural centers without transmission lines from the coast to those centers, and without oil and gas pipelines extending to the new centers.

The final question that I would have is will lifting the moratorium secure the blessings of liberty to ourselves and to our—those who follow after us.

A failure to curtail the exhaustion of American resources will leave nothing for our posterity but an empty shell.

Let me conclude by declaring that if you continue to rely on oil and natural gas, and we must continue to rely upon them during the significantly long transition period, the problem becomes worse, and it becomes worse and worse with each unit of natural gas that we extract, or with each barrel of oil that we pull out of the ground. The environmental problems increase. The public outcry rises. But, if you choose to follow the path of progress by focusing Federal attention upon renewable energy resources, your problems diminish as the technology improves, the costs lessen, and the public satisfaction increases. Please consider a denial of the lifting of the moratorium.

Mr. STENHOLM. Thank you.

[Mr. Androsky's prepared statement follows:]

PREPARED STATEMENT OF ALBERT ANDROSKY, BOARD MEMBER, NO OIL, INC., PACIFIC PALISADES, CA

OFF-SHORE DRILLING MORATORIA

If viewed in the context of the national interest, will the drilling for oil and gas resulting from lifting the moratorium in Santa Monica Bay be competitive with other means of providing the necessary energy for the nation?

WILL LIFTING THE MORATORIUM FORM A MORE PERFECT UNION?

No! It will aggravate the disparity between small businesses and giant industry.

WILL LIFTING THE MORATORIUM ESTABLISH JUSTICE?

No! It will use the resources that belong in equal measure to all Americans for the primary benefit of a few. When left to the mercy of other countries or a few petroleum producing companies, the most penalized are the poor and the unemployed.

WILL LIFTING THE MORATORIUM PRODUCE DOMESTIC TRANQUILITY?

No! In the 1970s the nation relied upon a few countries and a few oil companies to provide energy at an affordable price. They failed. We have had a prolonged and bitter recession, which for more than 8 million unemployed is still here. A massive transfer of the nation's wealth to the oil producers resulted. A decision to lift the moratorium continues the vulnerabilities of America into the future.

WILL LIFTING THE MORATORIUM PROVIDE FOR THE COMMON DEFENSE?

No! A nation with oil reserves has reserves upon which it can rely in a national emergency. A nation which has exhausted its oil reserves is subject to blackmail from foreign countries and companies as well.

The umbilical cords of our current energy system bind the American economy together but in doing so create a vulnerability to terrorist acts in which one act may immobilize an entire region. A shift toward renewable energy sources will reduce that interdependence and permit the creation of economic centers which are far more independent.

WILL LIFTING THE MORATORIUM PROMOTE THE GENERAL WELFARE?

No! Federal tax incentives for conventional fossil fuels dwarf federal incentives for non-fossil fuels by more than a ten to one margin. A continuation of these massive welfare payments to conventional fossil fuel producers is incompatible with the general welfare. The ordinary citizen is paying for the inefficiencies of doomed industries instead of promising new technologies.

Lifting the moratorium to prolong the subsidized reliance upon oil and gas would continue the dangers of disruption by other countries or by a few companies. To a hard-pressed small business man, to an individual struggling to make ends meet, to the elderly, it makes little difference if his fuel supply is interrupted through an outright denial of oil supplies by another country or by American companies to supply the fuel he needs at a price which he can afford. He suffers ruin either way!

Other countries are taking giant steps into the future through emphasis upon new technologies and progress. We have seen Japan take away our previously established leadership in optical goods, radio and television receivers, and automobiles. We are witnessing their current threat in computer technology, but if we continue to devote our government's resources to the traditional fossil fuels we will also see Japan leap-frogging past us in energy technology based upon renewable resources such as solar.

Our decision concerning lifting the moratorium therefore should bear in mind:

> By 1990, oil and gas are projected to be more expensive than hydroelectric, coal, nuclear, solar, wind, cogeneration, and geothermal for producing electricity.
>
> In California,
> Merely by enacting state or local regulations mandating the use of solar in all new construction, where cost effective, would produce the equivalent of 81,000,000 barrels of oil annually and continue indefinitely at that level.
>
> Passive solar design is advanced sufficiently to permit savings of $30-60 million in energy costs over the life of a 257,000 square foot office building with only slight increases in initial building costs.
>
> About a fifty percent gain in miles per gallon can be achieved by the year 2002 using today's technology.
>
> Solar heat systems have the potential to provide 10 percent of California's industrial and agricultural process heat demand by the year 2002, the equivalent of 37 Tbtu of energy.
>
> Methanol powered automobiles are expected to be cost-competitive with gasoline powered automobiles in the very near future with methanol powered buses and trucks expected to be cost-competitive by the late 1980s or early 1990s. The most feasible California feedstocks for fuel-grade ethanol are high-sugar agricultural residues with production costs from 90¢ to $1.00 per gallon.

In terms of energy-imposed environmental costs, solar energy has far fewer environmental impacts than any of the conventional energy options. And for transportation purposes, burning methanol could produce approximately 85 percent lower air emissions than burning distillates and 60 percent lower emissions than through burning natural gas.

Compared with oil, coal, and nuclear powered systems producing the same amount of energy, solar energy technologies create four times as many jobs. Passive solar design and construction and conservation retrofit programs produce an even greater proportion of jobs for an equivalent amount of energy and have the further benefit of permitting immediate and continuing employment of large numbers of currently available labor skills.

Renewable resource technologies represent the path of progress and the arena in which future international competition will be fought.

Emerging new energy technologies permit creation of new industrial, commercial and agricultural centers without the traditonal encumbrance of petroleum, electrical transmission lines and other umbilical cords.

WILL LIFTING THE MORATORIUM SECURE THE BLESSINGS OF LIBERTY TO OURSELVES AND OUR POSTERITY?

No! A failure to curtail the exhaustion of American resources will leave nothing for our posterity but an empty shell.

Let me conclude by declaring that if you continue to rely on oil and natural gas for our energy, the problem becomes worse and worse with each unit extracted; the environmental problems increase, the public outcry rises. If you choose to follow the path of progres'by concentrating attention on renewable energy resources, your problems diminish as technology improves, the costs lessen, and the public satisfaction increases. Please deny a lifting of the moratorium.

TESTIMONY OF CHRISTOPHER TOWNSEND, DIRECTOR, PUBLIC AFFAIRS, STEIN-BRIEF GROUP, LAGUNA NIGUEL, CA

Mr. TOWNSEND. Thank you, Mr. Chairman, and members of the subcommittee. My name is Christopher Townsend. I serve as the director of public affairs for the Stein-Brief Group, which is a land development company located in Laguna Niguel, CA, which is located in Orange County, CA.

On behalf of the Stein Brief Group I want to thank the members of this subcommittee for this opportunity to submit testimony in support of the continuation of the moratorium on near shore oil drilling with respect to the southern California coastline.

I intend to comment upon how near shore oil drilling can and will adversely impact the development, construction, and tourism industries located along the southern California coastline with particular respect to the coastal property development under the agis of the Stein-Brief Group.

I intend to show how near shore oil drilling has the potential to threaten literally hundreds of small businesses and thousands of jobs with respect to just our project alone. But first a few background comments on our project, known as Monarch Beach.

Monarch Beach is world-class resort and residential community under development on 550 prime coastal acres situated between Laguna Beach and Dana Point in south Orange County, CA. With its multifaceted residential, commercial, and recreational opportunities, open spaces, and an ocean front orientation, Monarch Beach is one of the most prestigious coastal locations in southern California. Ten years of planning and governmental processing have gone into the development of its community concept which takes full advantage of the dramatic coastal setting.

Current approved plans call for over 2,500 single family homes, townhomes, condominiums, and apartments to be built within the community of Monarch Beach. This residential element is complimented by a commercial and tourism element that includes three hotels, a conference center, a golf course, an athletic club and spa, nine restaurants, and over 100 retail stores and shops. For your reference I am submitting a color illustrative site plan of Monarch Beach with my testimony.

In order to develop and build Monarch Beach, Stein-Brief Group has already contracted directly or indirectly with over 500 different vendors from predominantly small businesses. These businesses in turn provide a variety of goods and services ranging from design and architectural services to construction and supplies provided in construction to various forms of marketing, advertising, and communication support, and so on.

Currently these small businesses receive a total of over $5 to $6 million per annum from our project alone, and we expect that figure to rise as the project continues.

More importantly, as the project is completed, the commercial and tourism elements will provide for a base of small businesses that in turn will provide thousands of jobs, including many in both the skilled and unskilled labor category.

I think this is significant because these types of businesses traditionally provide greater employment opportunities for minorities.

It's clear then that such a project at Monarch Beach can provide tremendous employment opportunities for small businesses both in terms of the development and construction industries, and the maintenance of the residential, commercial, and tourism facilities. However, it must be recognized that underlying property value of Monarch Beach is inextricably linked to its single greatest asset, the beautiful southern California coastline.

Now, the term beautiful coastline is generally defined by Stein-Brief as a clean beach, unobstructed ocean views, recreational boating opportunities, and clean air marked by ocean breezes.

Now, these elements on the coastline are clearly threatened by near shore oil development. Obviously oil spills and related mishaps have—will—can pollute the beach. Drilling rigs and tankers obstruct views and provide hazards for boaters, and the air pollution created by the drilling processes on the rigs can degrade the coastal air quality.

In fact, just the potential of major incident alone in terms of an oil spill can be enough of a threat to suppress property value, and such a spill, if it does occur, can leave a devastating legacy on the coastal environment that can adversely impact upon tourism business for years.

In summary, with respect to Monarch Beach, the prospect of near shore oil development can threaten the very basis of the property value of a coastal project that has the opportunity of providing for hundreds of small businesses and thousands of new employment opportunities.

The Stein-Brief Group therefore urges the members of the subcommittee to support the continuation of the moratorium on near shore oil drilling.

Thank you very much for your time and consideration.

Mr. STENHOLM. Thank you. Mr. Broomfield?

Mr. BROOMFIELD. I have no questions at the moment.

Mr. STENHOLM. Mr. Lungren?

Mr. LUNGREN. Thank you, Mr. Chairman.

I was interested in the last bit of testimony we had particularly. What is the average cost of the homes in the project?

Mr. TOWNSEND. The cost of the homes vary. We have smaller products such as condominiums that will cost under $200,000 compared to some lots for custom homes that will be located on the oceanfront that will range anywhere from $400,000 to perhaps $1 million.

Mr. LUNGREN. Now, you say near shore oil drilling or development. I'm wondering what you define as——

Mr. TOWNSEND. Well, when I'm stressing near shore oil drilling, I refer to the area of the moratorium, which is, as I understand it, an area that extends from 3 miles out to about 12 miles out.

Mr. LUNGREN. Right.

Mr. TOWNSEND. We recognize the concerns surrounding the need for Outer Continental Shelf oil exploration and development in terms of the national interest of expanding our energy resources.

Our understanding is that this moratorium does not affect exploration of the continental shelf outside of the moratorium, which represents literally millions of acres of lease holds that are still available for development. We therefore question the focus and urgency now to expand close near shore oil development that we believe unnecessarily threatens businesses and industries that are involved with tourism industries and economies related to community development on the coast.

Mr. LUNGREN. One of the questions I have, I happen to represent a district in which offshore oil drilling takes place both beyond a few miles and within that. We've got five manmade oil islands in the city of Long Beach pumping out of a total reserve of 2 billion barrels of oil. Every community in California benefits as a result of that. That's owned by the State of California. Every single school district in California gets a direct benefit as a result of the drilling that takes place in my district. Every single classroom from K through 12, for all the high schools, all the colleges, all the community college system, the university system, receives a direct contribution as a result of oil drilling that is near shore in my district.

And I don't certainly suggest that we duplicate that anywhere else, but I think we have to look at both sides of it. I just wonder if the impact of, for instance, stopping offshore drilling in my district would be an increase in taxation to the people who are going to live in your houses and support the schools in your area, whether they would want that done.

I do appreciate the fact that you mentioned that you're not against—or not for a moratorium on all areas. You just want some discretion to be utilized by the authorities with respect to where they—where they drill. And I think a lot of us wish that as well.

Mr. Androsky, I'm a little bit confused by your testimony, and maybe you can help me out on this.

On the one hand you suggest that we ought to, as I understand it, keep our resources where they are such that we might need them some time in the future. Is that not correct?

In other words, not precipitously remove oil and gas from the areas of deposit that we find them now in the event we'll need them in the future. Is that part of the testimony that you give us?

Mr. ANDROSKY. Yes, I think it is in part. But the concern that I have is that by channeling such a large proportion of the Nation's resources in providing tax incentives to the oil industry. With such subsidies there is no economic measure that one can use to determine which particular energy alternative to use.

If the oil industry does not have to pay the taxes that others do it can operate at a level that will force out of business other energy producing systems.

I would like to see the decision made strictly on an economic basis with all incentives removed for the oil industry as well as——

Mr. LUNGREN. If we were to do that would you support lifting the moratorium?

Mr. ANDROSKY. Yes; I believe I would. But I don't think that the oil would, in fact, be competitive. Certainly the findings of the California Department of Energy seem to point in the opposite direction.

Mr. LUNGREN. Well, I appreciate that. I would just recall that as much as you suggested that Japan has done in the area of solar, they still rely a tremendous amount on fossil fuels.

Mr. ANDROSKY. Yes, sir.

Mr. **Lungren**. And, in fact, that is why they are so vulnerable because they have no oil and gas reserves—virtually none. I guess 97 percent of the fossil fuels they receive come from outside their own boundaries. But even in a country which has made such an effort as you've suggested on solar, they still recognize at present that we're going to have to rely on fossil fuels. I guess that's irrespective of their not being a part of the tax structure, tax incentive that is provided to the oil industry in this area, at least as you articulate.

I thank you for your testimony. I appreciate your testimony.

Mr. **Stenholm**. I have one brief question. Mr. Townsend, in this development area on shore, do you have a prohibition against drilling within the confines of this area on shore?

Mr. **Townsend**. My understanding is the general plan adopted by the county of Orange for Monarch Beach would not allow for such onshore drilling.

Mr. **Stenholm**. In that particular area.

Thank you very much. We appreciate having your testimony.

The next panel consists of Mr. Calderon, Mr. Skenderian, Mr. Hayes, and Ms. Del Rio.

If each of you would identify yourselves and who you are representing when you begin your testimony, we would appreciate it. Again, your entire written testimony will be made a part of the record. Please summarize your statement and stay as close to the 5-minute rule as possible.

Mr. Calderon.

TESTIMONY OF SERGIO CALDERON, LAS BRISAS, LAGUNA BEACH, CA

Mr. **Calderon**. I'm Sergio Calderon. I'm representing a Mexican restaurant called Las Brisas in Laguna Beach. We actually have a unit but when we took over the restaurant was doing a million and a half in business from another company.

We took over the unit and changed the whole inside of the restaurant facing all the booths to the ocean, making the people sitting at the bar instead of looking at the bartender look at the ocean. So we increased the business from a $1½ million to $5 million a year. We employ 130 people at Laguna Beach.

We are a very successful restaurant right now. We are afraid by people looking always who come to the restaurant. Probably going to lose a lot of business. That's our main concern. That's all I can say.

Mr. **Stenholm**. That was very well within the 5-minute rule, and I understand what you're saying.

Those of us in Congress sometimes have difficulty doing what you've just done, that is, make our point and shut up. Thank you.

Mr. **Calderon**. Maybe lack of experience.

Mr. **Stenholm**. Mr. Skenderian.

TESTIMONY OF MORRIS SKENDERIAN, ARCHITECT, LAGUNA BEACH, CA

Mr. **Skenderian**. My name is Morris Skenderian. I'm an architect in Laguna Beach, and I'm here to support the continuation of the moratorium.

I'm also a small businessman. I employ approximately seven people in my firm. I've been in Laguna Beach for 15 years.

My firm is primarily engaged in the planning and design of tourist oriented facilities such as restaurants, hotels, shopping plazas in Orange County, and specifically along the coastline. Projects we are presently involved in include the New Shoals Hotel, The Inn at Laguna, the Caprice Hotel, the Coast Inn, the Heisler Park, Beach Viewpoint, and for the city of Laguna.

These facilities now employ many minorities, and in the future in the development will employ others in the construction and maintenance of these projects.

The owners of these facilities will not invest the time or the money on these improvements if there exists a threat to the physical damage to the shoreline by the existence of oil activity, or within a close proximity to the shoreline. This could seriously detract from the natural beauty enjoyment by the tenants of those facilities and the public who uses them. Needless to say, the main amenity of these facilities is the visual impact of the ocean, the coastline, and certainly the existence of oil rigs would be a detriment.

For the past 10 years the California Coastal Commission has attempted to guide the development of the coastline in such a way to preserve the natural beauty for public enjoyment. My firm has planned and designed many tourist oriented facilities during that period and hopefully will continue to do so. I feel that the physical and visual impact of rigs in such a unique part of the coastline will permanently damage and negate the effect of all those involved thus far, and who are committed to the preservation of the valuable, irreplaceable resource.

Southern California coastline, specifically the Newport Beach to San Diego area, is one of the most precious, beautiful stretches of coastline in the world, and is irreplaceable. It should be preserved at all costs. Its preservation is crucial to the employment of all those directly and indirectly involved in the tourist industry.

I urge you to commit to the physical and visual preservation of the coastline and continue this moratorium. Thank you.

Mr. **Stenholm**. Mr. Brady.

TESTIMONY OF DORSEY R. BRADY, GENERAL MANAGER, SURF AND SAND HOTEL, LAGUNA BEACH, CA

Mr. **Brady**. My name is Dorsey Brady. I'm here in place of Rushtin Hayes. I'm general manager of the Surf and Sand Hotel in Laguna Beach.

Surf and Sand is a 160-room hotel on the ocean in the center of Laguna. We employ in excess of 200 persons. These 200 jobs pour approximately $2 million a year into the Orange County economy and its tax base. Tourism and hotel jobs, and tourism related jobs create other employment needs throughout the economy of Orange

County, the grocery stores, the shoe stores, clothing stores, and all the others that a lot of our employees in tourism frequent and spend their payroll dollars in.

Over 65 percent of the jobs in our particular hotel, and generally in the industry in Orange County, the tourism industry, are filled by minority workers. Many of these in the minimum wage categories.

A major selling point of our hotel is the natural ocean setting and the unspoiled vistas from our guest rooms. An oil spill, or even rumors in the media of a possible oil spill could ruin business for extended periods of time. The media is very powerful in that regard. I've experienced it having worked in the tourism industry in Tahoe, with the Sacramento media, and the San Francisco media. It can close you down if there's the hint of a flurry of a snowstorm, or the hint of an oil slick, or an oil spill covering the beaches of Laguna. It could have the same impact on our industry.

Changes in the scenic and natural environment could cause guests who have stayed in our hotel over the last 20 years to choose another destination that's retained its pristine state. Hawaii, and a number of other areas compete directly with Laguna Beach and other oceanfront tourism areas.

Any loss in our business would be accompanied by reduced employment and result in loss of revenues in the local economy and the tax base.

Plans within our company for future development and investment in this property, which would increase employment, and taxes, would be severely hampered by any potential of offshore drilling. We'd be very wary of future investments in this area. We'd put our dollars into other areas.

There are areas available for this activity. Numbers of acres available for offshore drilling. We would ask that drilling be limited to these areas, areas not dependent upon tourism or other coastal dependencies for their economic survival.

Thank you for the opportunity for presenting my views.

Mr. **Stenholm**. Ms. Del Rio?

TESTIMONY OF ANITA DEL RIO, VICE PRESIDENT, FAR WEST REGION, LEAGUE OF UNITED LATIN AMERICAN CITIZENS

Ms. **Del Rio**. Buenos dias. I am Dr. Anita Del Rio. I'm representing the League of United Latin American Citizens. I'm the national vice president for the far west region and representing our national president, Mario Obledo.

LULAC is supportive of a strong national effort to reduce our dependency on foreign energy sources. Allow me to make some observations.

Hispanic entrepreneurism is on the rise in the United States of America. Besides equal employment opportunities, Hispanics must and are taking advantage of the free enterprise system. The surge in fuel and utility costs would mean substantial expenses to any small business and severely impair the ability of Hispanics to enter into the independent profit-making ventures.

I presided over the adoption of a State resolution calling for energy development on California offshores. State and Far West

Region support offshore development, and our national president, Mario Obledo, is a firm supporter of offshore development.

I commend this committee for convening in southern California. Hispanics are the largest segment of young Americans entering into the business world.

You, as decision makers, have the challenge to identify and resolve potential negative impact to the economy awaiting this next generation.

LULAC convened a conference in Denver, CO in 1981 on the impact of energy policy on the Hispanic community to the year 2000. As a result, the task force expressed concern on the negative impact on Hispanic economic well-being.

According to Ruben Bonilla, LULAC president at the time of the study, the task force study was an effort to influence the attitudes of fellow Hispanics toward energy, growth, and development, and to influence the policy makers in the public and private sector.

In my hometown of Brownsville, TX the moratoria have resulted in loss of existing opportunities for Hispanics. Congressman Ortiz of Texas reported last year that the use of the moratoria have led to a downturn in the offshore equipment industry in his district resulting in the loss of jobs, especially in the minority community.

Congressman Ortiz further testified that about 100 companies in his district were affected by these moratoria. Not only were these businesses affected, but also caused a negative ripple effect throughout the communities.

Since Hispanics comprise a rapidly growing segment in Texas—we are in a position to either suffer or benefit from the up and down fluctuations of an offshore industry.

LULAC will continue to speak out on current issues affecting negatively our environment, whether on land, in our communities, or offshore. The protection of onshore and offshore environments must be balanced.

May I close by reciting a passage from our California LULAC resolution on "Energy Self-Sufficiency:"

> The best interests of our Nation and its Hispanic citizens would be best served by allowing offshore exploration and development under controlled conditions.

Thank you.

Mr. Stenholm. Thank you very much.

We will now have questions.

Mr. Broomfield?

Mr. Broomfield. Mr. Chairman, I yield to the California group—either Dan or Mr. Dymally.

Ms. Del Rio. Mr. Chair? I'm sorry, Mr. Chairman.

May I be excused? I have a previous engagement.

Mr. Stenholm. You surely may.

Mr. Dymally. Mr. Chairman, thank you.

This is a comment for Ms. Del Rio. Recently we talked about lobbying efforts. Just now I had a district delegation that came to meet me about postal rates.

I could not see them in my office today for obvious reasons, but this friend of mine who was a former legislator, effectively organized hospitals and health care clinics in my district, and—since I could not see them in my district, they came here and we just had a very effective meeting.

I cannot tell you—they twisted my arm, and so I just wanted to let you know how effective this group meeting is. They had a hospital and a health clinic, and various nonprofit groups, about the postal rates, that will be probably changed in Congress this year.

Mr. **Stenholm**. Mr. Lungren?

Mr. **Lungren**. Mr. Chair, I just wanted to say that when the delegation comes to see me, I am going to send them to Merv Dymally. [Laughter.]

Mr. **Lungren**. I would like to address a question to the gentleman representing the Surf and Sand Hotel. My question is, was your business affected at all in 1973 and 1978 in the two oil crunches that we had?

Mr. **Brady**. Yes, they were.

Mr. **Lungren**. Adversely, I suspect?

Mr. **Brady**. Yes.

Mr. **Lungren**. So, obviously tourism in California is very much affected by resources that we placed into energy, the availability of energy resources; isn't that correct?

Mr. **Brady**. Tourism everywhere.

Mr. **Lungren**. I guess the question that I would like to direct to Mr. Skenderian, and Mr. Calderon is—there seems to be two aspects to offshore drilling, or complaints that I have heard.

One is the fear of oil spills—that is, you would drill in areas that are environmentally unsound where, because of the knowledge we now have about drilling offshore, there is an inherent danger there that we could not protect against oil spills.

And the second is the question of—I will use the word "visual pollution," that is, we do not like to look at oil rigs sitting out in the water.

And I guess my question to all three of you is, do you find both of those offensive, and equally so? And using a phrase that Mr. Skenderian said, that "we should protect it at all costs," do you really mean that we should make sure that there is nothing sitting out there such as an oil well between 3 and 12 miles out at all costs, independent to what that does to our efforts for energy independence, or as much as we can go toward energy independence?

I would ask all three of you to comment.

[Pause.]

Mr. **Skenderian**. Well, I guess that is a little harsh to say, "at all costs," but I think with such a unique geographical setting that the southern California coastline has, it seems to me that the oil industry could look to other areas for the extraction of that oil and not concentrate on an area that is so dependent on tourism.

The existence of oil rigs off the coast of Laguna Beach or Newport is not going to be an attraction to tourism at all; in fact, it is going to detract from tourism.

I think the oil industry has—I will accept the fact that they have the technology to prevent an oil spill. I do not know enough about that technology for the details, but excepting that, my biggest opposition would be the visual pollution, the visual blight of the existence of the oil rigs within sight, if you will, and I know that 3 miles or 5 miles, as far as I am concerned, you could ~~almost~~ reach out and touch them.

You know you could see them from I don't know when they go over the horizon. But I just think we had a really unique area there; and in the whole world, in the whole scheme of things, that little spot down there, in the southern California coast should be preserved.

Mr. LUNGREN. But you obviously love it; you moved there 15 years ago. I am a native of California and have lived near the beach all my life, and I would rather not see anything out there if at all possible.

I see ships out there, Navy ships, tankers, all sorts of things, and I wonder if part of our visualization of what we think is going to occur is based on the old technology, that is, that you had to have virtually one drilling platform for every well, whereas now we have a technology which allows you have multiple wells drilled off one platform.

So, if we were talking here 15 years ago, and you would say to me, look, they are going to drill 15 wells out there—that means 15 platforms, I would get a different response to you of my view of that than if I am told one platform will be out there on which they are going to be able to drill 15 wells, and you will only just see one platform out there. I guess what I am asking you, do you think that the fact that we will have one drilling platform out there, or two drilling platforms out there is so offensive—and I do not mean this pejoratively—I mean, is so offensive that that will actually cause problems with respect to people wanting to associate their businesses or their restaurants or whatever in Laguna?

Mr. SKENDERIAN. Well, the existence of one platform probably wouldn't. I mean I think it would be on a sliding scale. If what you are referring to exists now in Huntington Beach——

Mr. LUNGREN. We have two platforms out there, at Huntington Beach.

Mr. SKENDERIAN. Only two? I see——

Mr. LUNGREN. Two that you can basically see.

Mr. SKENDERIAN. OK. Well, I have not counted them. When I drive from Long Beach to Laguna Beach, and pass Huntington Beach, I see several platforms out there that, to me, are an unnatural and not indigenous to the natural beauty of the coast line, or the ocean or the surf and the cloud formations and the——

Mr. LUNGREN. So, in your opinion, that is so deleterious to the impact that it would have.

Mr. SKENDERIAN. Yes.

There are areas that do not depend on tourism that it would not affect. Who would it affect? Somebody passing by on the highway heading from one city to the next? But certainly the Big Sur area, Newport Beach area, Laguna Beach area, San Diego area which depends on tourism—my city of Laguna Beach is virtually totally dependent on tourism. Without tourism, without the hotel business, the economic base of that town would fold.

Mr. DYMALLY. Would the gentleman yield?

Mr. LUNGREN. I would be happy to yield.

Mr. **Dymally**. Do you think that the environment of Long Beach is offensive, that it has detracted tourism, the way they have developed such beautiful visual effects on the wells there?

Is that not offensive?

Mr. **Skenderian**. What they have done in Long Beach, I think, is the best way you can handle the existence of a rig. I think they have done a very nice job. I would like not to see them at all there, but, if they have to exist, that they have done an excellent job of disguising—

Mr. **Lungren**. Would the gentleman yield?

When I was a kid growing up, we had better body surfing there than we do now, because of that; but my Dad tells me before we had the breakwater that protected that beach, they had the most fantastic body surfing in the entire world. The only problem is we would not have a beach left now because of the continual play of the ocean.

I really would like to have your opinion, being in the hotel business.

Mr. **Brady**. I feel, and not wanting to say anything bad about Long Beach. I was born in Long Beach myself.

Mr. **Lungren**. I knew there was something really——

[Laughter.]

I could tell.

Mr. **Brady**. However, yes, I do feel that the rigs in Long Beach and the Harbor and surrounding areas, and Huntington Beach—I went to high school in Huntington Beach—are offensive; and I feel that, 1, or 15 is offensive.

If you took—and Laguna Beach is an artist colony; it was known originally as an artist colony; and you walk up and down the streets and look in the art shops, and you look at the beautiful sunset paintings, and the paintings of the ocean and Catalina, and the islands off in the distance, and ask the artist if he would like to plop in a rig and see how many of those paintings he would sell, I think our guests and the tourists that come to Laguna Beach feel the same way. We have a very precious area there that I think should be protected; there are areas in which this can be done, that have already been done; it is too late to worry about the past and things that have already been—I don't want to say spoiled, and I am not an environmentalist; I am not a member of the Sierra Club, I am a businessman—but I know what is good for my business. I know what is good for our area, I believe——

Mr. **Lungren**. You can be both, I think.

Mr. **Brady**. I think you can; I'm not sure, but I feel we have some precious areas that need protecting. We do have areas that this activity, I think, could go on in. We certainly need energy resources, and I am all for that.

Mr. **Lungren**. Is it offensive to see a boat sitting out there?

Mr. **Brady**. No.

Mr. **Lungren**. A ship? A Navy ship?

Mr. **Brady**. It——

Mr. **Lungren**. No, I am serious.

Mr. **Brady**. I am serious. I understand what you are saying. No, it is not at all. They pass.

Mr. **Lungren**. Suppose we put a ship out in front?

Mr. **Brady**. They do not become an important part of the landscape.

Mr. **Lungren**. OK. Thank you very much.

Thank you, Mr. Chairman.

Mr. **Stenholm**. One followup question on that.

In 1973, tourism on the coast of Texas was disrupted tremendously by the so-called oil shortage, the gasoline lines, et cetera.

I believe you stated the same occurred in your business here in California.

The balance between the threat of that versus the environmental purity that we would all like to see is one issue. I was not really sure of your answer to Mr. Lungren's question on that, as a balance.

Were you to have the choice, which is the worst for your business; 1973, or the threat of having *X*-number of platforms off this same general area?

Mr. **Brady**. Hypothetical situation, I will have to give you a hypothetical answer.

I would say that the loss of the energy resource would be more dramatic. I have experienced that; I have not experienced the other one.

Mr. **Stenholm**. Is that it?

Mr. Calderon, the same in regard to your bar and the aesthetic value of being able to sit out and to enjoy your drink?

Mr. **Calderon**. Really, I think this says a restaurant's base prospects could be right.

But the view we have is every risk that we have and this is the view of the restaurant. People go to see this fine, natural view. I don't think you have one in south California like this.

One of the most important things, I know, is the natural ocean—put in oil rigs, and one platform, maybe two or three. I think it will be some kind of an offense to the people.

Mr. **Dymally**. It is funny what a different reaction people have. I was fascinated with the Long Beach rig at night. I marvel at man's ability to put this technology together and to protect it and to develop such an interesting site.

I was out there this summer, and I was really intrigued by the whole thing. I am a Californian. I had a 100-percent pro environment voting record in the Legislature, but I thought it was a very good job they had done, and it did not offend me at all.

Mr. **Lungren**. Mr. Chairman, since he is talking about my district, could I just make a comment?

[Laughter.]

Mr. **Lungren**. First of all, we ought to make it very, very clear on this Outer Continental Shelf—that it is from 3 to 12 miles out. What you see in Long Beach is owned by the State, but an interesting point, if you ever go out and look at those rigs, those platforms that we have, those man-made islands, they appear to have what some people think to be apartment buildings out there. Those are not. Those were visual supports, and also noise restraints on the actual drilling derricks that they had to build there. And now, they do not need them any longer, because now, you just bring your tilt ups and you do your work and you leave them alone.

When they started to take them down, they got complaints from environmentalists that if they took them down, it would ruin the perspective there. [Laughter.]

Mr. LUNGREN. So you have on them——

[Laughter.]

Mr. LUNGREN. The other thing is they actually move on train tracks, and they have had people call up who were at the bars and had too much to drink and wanted to know if, in fact, the apartment buildings were moving, or was it because of——

[Laughter.]

Mr. LUNGREN. We have assured them at all occasions, they are sober because the apartment buildings do move. [Laughter.]

Mr. STENHOLM. Thank you very much. We appreciate having your perspectives and testimony.

The next panel consists of Mr. Brittain, Ms. Kaiser, and Mr. Lyon.

[Pause.]

Mr. STENHOLM. I ask each of you to identify yourselves and who you represent. Your entire written testimony will be made a part of the official record; if you do not have one, your testimony alone will be made a part of the record.

Mr. Brittain.

TESTIMONY OF LOWELL N. BRITTAIN, VICE PRESIDENT, COIL TUBING & NITROGEN SERVICE, INC., VENTURA, CA

Mr. BRITTAIN. My name is Lowell Brittain, vice president of a company called Coil Tubing & Nitrogen Service out of Ventura, CA, and listening to this last testimony, I am a little bit surprised at the people in the hotel business. We seem to have a problem keeping them out of Ventura. We have three of them now that want to locate.

I know that there was one in Santa Barbara that wants to locate. I am a little surprised. And there we have a good 15 or 20 oil rigs sitting offshore.

I am mainly here to make my statement concerning my business and what I feel is an example of a small oil service firm that is located mainly in the Ventura area. Instead of talking freely, which being a salesman in my company I might take more time than the 5 minutes, so I will go ahead and read my statement.

In making this statement, I mainly want to address specifics that relate to how and why the OCS oil development impacts the small service companies that operate offshore.

First, a little background on my company, which I will use as an example, so a clearer understanding will exist relative to my concerns. Coil Tubing and Nitrogen Service Co. was founded during a fairly active period, and in our endeavor we have strived to provide a top service line while making a just profit. Up to this point, we have been relatively successful. Initially, the company started with 11 employees and within 10 months grew to 20. Of those 20, 14 were California residents, and 6 individuals were taken from the unemployment ranks. This points to the fact that the petroleum operators and service companies can and do utilize the work force that is available and can help to reduce unemployment.

This success can be directly credited to our ability to offer a highly specialized service line that is based on its people's positive work attitude while providing the best equipment available. We have established a reputation from completing jobs efficiently with the least expense to our customer. For the past 3 months we have maintained a market share of 65 to 70 percent. Thus, have shown that a small company compared to the Halliburtons and B. J. Hughes, can compete and succeed. This last statement can only remain a reality as long as the OCS oil development actively maintains a level that allows for competition. If activity declines to a point in which there is not sufficient work to support free enterprise, then a work force reduction is brought on. It is at this point that the small companies are forced out. Our success is based on being specialized. This specialization is founded on highly experienced individuals with the desire to work long periods, isolated offshore. It takes time and large financial outlays to develop the manpower and equipment resources to maintain this competitive edge. We cannot afford to experience cycles of prosperity then long periods of inactivity, such as forecasted for the near future. The large service companies that have multiple service lines and locations can usually adjust to these fluctuations and survive to some extent.

Perhaps this is the actuality of today's small business, as seen in the plight of the small farmer. But it appears to me that this is only true, on a larger scale, when government interjects its inconsistent policies. We have proven that a small entity can exist amongst the giants as long as the free enterprise system is not tampered with and left intact to respond. This simply states that government, in all levels, must maintain a consistent policy and follow through with whatever course it selects. I ask how can any company cope with our—when our government agencies dangle lease sales in front of oil operators who would plunk down huge sums of investments, and paints a picture of long periods of stable activity, then once the operators and service companies mobilize and react, our policymakers pull the plug and enact a moratorium. Point of fact in the past 2 years, we have seen the activity level in just the Santa Barbara Channel drop from 22 drilling rigs to a low of 8, mainly due to government interference.

All I ask is to tell it as it is. If we plan a course of self-sufficient energy supplies then set that as our priority and let our industry reach it. If not, then step forward and declare it.

Like most entrepreneurs, we will find our niche and succeed, but for God's sake, if you want a viable oil industry, support it with consistent action.

Thank you.

Mr. STENHOLM. Ms. Kaiser.

TESTIMONY OF ZELLA A. KAISER, EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER, H&H OIL TOOL CO., SANTA PAULA, CA

Ms. KAISER. Thank you.

Thank you, Mr. Chairman, and members of the subcommittee.

My name is Zella Kaiser. I am the executive vice president and chief financial officer of the H&H Oil Tool Co.

I serve on the boards of the Santa Paula Chamber of Commerce, the United Way, the Ventura County Historical Museum, the American Petroleum Institute Coastal Chapter, and the Ventura County National Bank.

I am a Californian and have spent my entire life on the coast of California. My career has been in and around the energy industry.

I oppose the Federal and State legislative efforts to impose moratoria on offshore energy development.

I would like to devote the next few minutes to provide a background on the company I work for, and then offer some personal thoughts with respect to the small business and California offshore energy development.

H&H Oil Tool Co. has been in business in California for over 30 years. It is the area's leading provider of rental equipment for oil, gas, and geothermal companies throughout the west coast.

You may find it interesting to know that of all the equipment that we rent, the greatest proportion of our revenues are derived from blowout prevention equipment used, as its name implies, for preventative safety measures.

H&H was founded and throughout this period has been involved in serving the offshore operation, in addition to our work onshore.

Our customers are among the largest and most recognizable names in the energy industry.

In California today, we employ more than 160 people. More than half are specifically involved with the offshore operation. Most of our employees have families with young children. They are staunchly interested, as I am, in the orderly offshore development, with close attention paid to environmental factors.

You must realize that when our activity increases, it affects business of all kinds in our communities—art stores, welding firms accountants, banks, hotels, restaurants, and on and on.

Because we are residents, we have extremely high sensitivities toward issues facing our community and toward preserving the way of life we have established.

On that very important point of being community members, I want each of you to know that our company, as well as others in our area, can provide the technology and the work force required for these expanded offshore activities.

At one point, just 3 or 4 years ago, H&H alone had more than doubled the number of employees than we do today. It behooves all of us—and particularly our community at large—to be cognizant of this most important fact, to understand that it would not be necessary to import workers from outside our area, and to support fully the utilization of our local residents who appreciate their environment in which they work, play, and raise their families.

As with local residents, I feel, and would hope that you would likewise feel, equally adamant about the importance of our local companies directing any offshore development. Companies such as H&H are the ones that support our schools, our museums, our health care facilities, our local Boy Scouts, Little League, and pay those taxes to our cities and counties.

We are once more approaching what I call the "1960's syndrome." Petroleum exploration is down. Our domestic production is beginning to lag after several years of improvement. Our imports of oil from potentially unstable parts of the world is slowly increasing. These factors, in turn, increase our foreign trade deficit and will eventually cause a dangerous instability in our economy. The current worldwide oil surplus is temporary, and, as world economies realign their priorities, we could see another oil supply-limited stage in as little as 5 years.

Regarding the growing moratoria, many of the proponents say "Because of California's tourism, the defense and the fishing industries, California is not willing to assume the risk of offshore oil drilling." No State can isolate itself from the rest of this Nation. We are one Union. No State can cut itself off from that. Our dependence on imported oil not only hurts our balance of payments and impairs our economy, it also undermines our national defense. New reserves are vital and can only be found by drilling for them.

My time limit is rapidly approaching, so let me conclude with this thought: To assure you that our country remains independent in terms of its energy requirements, there is no question whatsoever that offshore reserves must be tapped.

Yes; the platforms are unsightly to some, but unlike some of other of man's structures such as hotels and houses they will be there a relatively short time.

The objectives that we should all strive to attain is to develop those reserves in an orderly, not frenzied, manner. The best way to do this is with the people and companies having more than their own business interests at stake, namely, those people who live here need the employment and those local companies that contribute to the way of life we are all fortunate to enjoy.

Thank you.

Mr. STENHOLM. Mr. Lyon.

TESTIMONY OF H. EDWIN LYON, PRESIDENT, ALLIED/LYON COS., INC., VENTURA, CA

Mr. LYON. Chairman Stenholm, members of the subcommittee.

Thank you for the opportunity to present our case before you this morning.

I am Ed Lyon, president of Allied/Lyon Co., Inc., a small construction company working primarily in the oil industry both onshore and offshore.

I am also currently chairing the Economic Affairs Committee of the Ventura County Economic Development Association. VCEDA is a countywide chamber-type organization.

The rest of my résumé is part of my package, and I will skip that.

We are proud at Allied of our 33 years of involvement in the offshore industry. We have played a significant part in the installation of both machinery and piping on 6 of the 14 platforms in the Federal waters offshore Ventura and Santa Barbara Counties.

My testimony will be limited to the social economic conditions, and a brief history of Allied/Lyon as related to those conditions.

Former President Carter made finding oil a national equivalent to making war. As a result, the industry boomed and we made long-term financial commitments for equipment, tools and training programs to increase the skills of our employees. And, certainly, I had dreams of grandeur.

Our sales went from $3.8 million to $7.6 million by 1983. Since the moratorium, our sales have decreased to $3.2 million level. We are now dispatching 50 to 60 people rather than the 150 to 175 people at the height of this boom. This experience has been painful and humbling to myself, our employees, our customers, and our friends, all of whom I care for very much.

We are fortunate to have a contract in hand to do the hookup and commissioning of Chevron's Platform Hermosa, offshore Point Arguello. This will be a 3-month job starting in September 1985, and will have a maximum of 70 workers. Even with this contract in hand we will not return to our previous level of employment.

My fear is this: Should the moratorium continue, our oil field service infrastructure will disappear. Not only will there be much suffering for the long-term oil field workers and their families, our country will have a difficult time regaining this infrastructure. We cannot continuously be turned on and off like a faucet.

Please support our industry. We do not need more moratoria. We need an active exploration and development program in the OCS.

Again, thank you for your consideration of my testimony.

Mr. **Stenholm**. Thank you, Mr. Lyon.

[Mr. Lyon's biography follows:]

BIOGRAPHY OF H. EDWIN LYON, PRESIDENT, ALLIED/LYON COS., INC., VENTURA, CA

H. Edwin Lyon, President and Chief Executive Officer of Allied/Lyon Companies, Inc. (formerly Allied Construction & Engineering Co.) The company was founded by his father, Harry A. Lyon in 1951.

Ed is a product of the school system of the City of San Buenaventura. He obtained an Associate of Arts Degree from Ventura College before going on to San Jose State where he received a Bachelor of Arts Degree.

After college, Ed's first position was assistant office manager for Loyd A. Fry Roofing Company of San Leandro.

Joining Allied/Lyon in 1963, Ed worked as dispatcher, foreman, operations manager, administrative vice president, and was then promoted to the position of President of Allied in 1973. During all this time, he was also serving in the United States Marine Corps Reserves.

Ed was creator and co-founder of U.S.A. Petro Chem of Ventura in 1972. U.S.A. Petro Chem operates the only refinery in Ventura County which refines crude oil.

Ed is very active in community affairs. He has served as President of Ventura/Santa Barbara Chapter of the Engineering Grading Contractors Association; Chairman of Financial Committee of Ventura; Chairman Overall Economic Development Program of Ventura County; President of Ventura County Economic Development Association; and was named in Resolution by the Ventura County Board of Supervisors. He also served as Vice President of Pleasant Valley Lion's Club of Camarillo. Ed is currently the President of The Constituency for Public Awareness, a pro-activist and lobbying group made up of economic producers, energy, agriculturists, and manufacturers. Ed is also a member of the Production Petroleum Pioneers, the American Petroleum Institute, and is listed in Who's Who in the West. Ed served as Boy's Club Director, and accepted an appointment to the R.M. Pyles Boy's Camp Board of Directors.

Ed and his wife, Patricia, are both active participants in St. Mary Magdalen Catholic Church of Camarillo, serving as Youth Minister Coordinators and Cluster Coordinators. They also serve as Ventura County Youth Ministers. Ed and Pat were named in a Resolution of Commendation by Pope John Paul II. Ed and Pat also served as a World Wide Marriage Encounter Team, and coordinated the Camarillo Encounter Zone.
Ed and Pat are licensed foster care parents, having taken in six children in the past five years. They adopted two of the children, now ages eight and nine.

Ed, Pat, and the five children reside in Camarillo.

Mr. **Stenholm**. Mr. Broomfield.

Mr. **Broomfield**. No questions.

Mr. **Stenholm**. Mr. Lungren.

Mr. **Lungren**. Mr. Chairman, if I just might say something, Mr. Lyon mentioned President Carter and his actions on energy, and I just recall that President Carter is the one who initiated the idea of the Rapid Deployment Force, which has been supported by President Reagan and by the Congress since that time.

Perhaps the precipitating factor of coming up with that force was the problem in the Middle East and the concern that we might not have an ability to protect our lines toward the Persian Gulf.

When I look at questions on offshore oil drilling and other questions of energy development, given the fact that we have to have environmental protection, I always keep in my mind the idea if I would have to face the mother or father in California whose son had been killed having been a part of a Rapid Deployment Force, landed to protect some of our oil resources or those we would hope to have in the Middle East, and I always wondered how it would be to face that person if we, as government officials, had not done what was within our power reasonably to develop our natural resources so we did not precipitate a crisis.

And when I look at things like this, that is one of the reasons I am proud of this panel coming in and looking at all sides of the issue.

They really throw something up when you say, "Do you want to put a dirty, old oil rig out there in the ocean to look at; or keep a pristine environment?"

I will bet you 101 percent of the people will say, "I want a pristine environment."

But if the suggestion is: "Would you countenance the presence of several oil rigs out in an area that has proven oil reserves that would help partway toward us maintaining a hedge against an energy crisis," I think we might get a different response.

Mr. **Lyon**. I could not agree with you more, Congressman.

We have a 20-year-old, and an 18-year-old, so that does hit home; and I do agree with that.

Mr. **Lungren**. Thank you.

Thank you, Mr. Chairman.

Mr. **Stenholm**. All three of you indicated that there has been a decline in your business as the result of the moratoria.

Is it totally the moratoria, or is it also a result of the overall decline of the oil industry resulting from the decline in oil prices?

Ms. **Kaiser**. Of course, it is a result, to some degree, of an overall decline. However, we are a California company, and have for years as the offshores developed, in our planning prepared for that development.

And in the last—since the moratoria, directly, the offshore activity declined this year.

Mr. **Lyon**. The onshore activities in the oil industry have also declined in—what had presented a sales opportunity for us in previous years was the secondary recovery programs in the old fields.

Those programs are now mostly complete. It is a natural thing for our workers and our skills to look forward to do the offshore work; it is the very same work; and it would be this very same crew.

Mr. BRITTAIN. I look at it from the standpoint when I was in Denver working in the oil industry there, it was always considered California was fairly stable in its level of activity, mainly due to the increase of the oil activity offshore.

Moving out here 2 years ago and getting into this business, it is since then that the moratorium has taken effect that there is no more leases available for these companies to drill on; and I would say that it directly affects the moratorium, the price decrease has been in a relatively short period of time that the oil companies are responding to that, with those mixtures of not having any leases to drill on and not knowing the consequences of the price of oil. It has certainly had a detrimental effect.

Mr. STENHOLM. Well, as a Member of Congress representing an oil and gas and an agricultural district, I have been hit by both barrels. We have had a decline in both industries at the same time. We have almost seen a depression in agriculture. I have had more bankruptcies of oil- and gas-related businesses in my district in the last 3 years than I have seen in the agricultural area, and that is not saying a whole lot that makes you smile.

But in our case, there are no moratoria in effect; there is an overall decline in the industry as a result of the Nation's economic problems.

Mr. BRITTAIN. Yes.

Mr. STENHOLM. I believe that we in Government have a good track record of not being very consistent with some of our actions, and we fail to consider the results of our actions.

Mr. BRITTAIN. Well, that is the main crux of our problem, I feel, in relatively right into the business is that if you gear up—such as my company was highly specialized—the only reason we can compete is because we are specialized.

And when you develop these people and their expertise, they are a unique people. They go out and spend 2 to 3 weeks' time offshore, isolated from their families. You just do not find people like that that have the attitude to go out and do that.

And when you gear up for it and you prepare, like I mentioned—we have about 65 to 75 percent of the market—for a small company like mine up against large corporations, that is quite a record, but only because we are offering this specialized service when there is not an activity market there. I have got maybe 65 percent of the small market that is dwindling. That still does not mean that I am going to make a profit.

So, our situation is if the level of activity maintains itself for competition, then we will be very viable.

In the small industry, or the small service companies are very vital to our oil industry. All of the small—or larger companies cannot cover all the little specialties that are involved. We play a very vital aspect to it, and when you wipe them out, the effectiveness of what we are trying to accomplish of a safe operation out there can be effective.

One thing I would like to address is the point of view that some people are taking concerning the looks of oil wells and the platforms offshore—I guess it it in the eye of the beholder, especially I live in a community where it is very prominent, and a lot of my friends are people not in the oil industry, and when you take the point of view—and you brought up, Congressman Stenholm, that what would you rather have, the 1973's or looking at those oil wells?

I have not found anyone yet that has not indicated that they would much rather be looking at the oil wells.

Mr. STENHOLM. Thank you very much, each of you, for your testimony.

Mr. LYON. Thank you.

Mr. STENHOLM. The next panel· Mr. Dick Pender, Dr. Francis Monastero, and Mr. Bob Watson.

TESTIMONY OF RICHARD PENDER, PRESIDENT, NCS INTERNATIONAL, INC.

Mr. PENDER. Mr. Chairman, my name is Richard Pender, and I serve as president of NCS International, Inc. NCS International employs over 100 people out of Ventura County in California supplying high precision navigation services that are vital to the offshore exploration effort.

Two years ago our head count was 160. Today it is just barely 100. Without ongoing exploration and development offshore, I face the very real possibility of going out of business. Two weeks ago I shut down my last crew in California. This was the first occurrence in 10 years since the company started. We have no activity in California at all at this time.

Mr. Chairman, I will address the importance of offshore oil and gas development critical to my company's survival in the future and to jobs and the economic well-being of California. In California, particularly southern California, many companies depend on offshore oil and gas development. Major companies such as Baker International, Fluor, Lockheed, Todd, Crowley Maritime, Smith International, Hughes, IMODCO, Kaiser, Magnavox, Rockwell, TRW, and Vetco supply and service offshore operations. Smaller companies such as Nekton, Radar Devices, Varco, Hydril, Hydroproducts, Cabelco, and Omnithruster are also NOIA members. These companies provide thousands of jobs for Californians and supply millions of dollars worth of products and services to the offshore industry. California has been a leader in offshore development ever since the first offshore wells anywhere in the world were drilled off its coast. The offshore industry has been good in California in the past in terms of capital investment, tax revenues, and jobs. About $1 billion in Federal funds from the Outer Continental Shelf have gone into the land and water conservation fund and the national historic preservation trust fund and have been used to acquire and improve park lands in California. In addition, the State university system was built with revenues generated from lease sales of State tidelands. While the history and tradition of California's involvement in offshore drilling is generally understood and appreciated, I am not so sure Americans or even Californians fully appreciate how much California companies have been involved in the evolution of offshore drilling worldwide.

A recent study commissioned by the U.S. Minerals Management Service on the socioeconomic impacts of oil and gas development in the Santa Barbara Channel region, detailed the economic benefits derived by just two counties, Santa Barbara and Ventura, from offshore operations off their coasts. The results of this study are impressive. One hundred eighty industries in the local economy were directly affected by offshore oil and gas development purchases. Thirty-five of these industries experienced direct oil and gas development purchases of over $100,000 in 1980.

Mr. Chairman, despite the vital importance of offshore development in California's economic well-being, some of our elected representatives have supported moratoria on leasing offshore acreage. Currently 37 million acres of Federal lands off the coast of our State are closed to offshore development. This leasing ban extends from the northern border of the State through the central region and into parts of southern California.

The moratoria cover some of the most promising offshore lands for oil and gas development. U.S. Geological Survey studies estimate that offshore lands may contain from one-half to two-thirds of the Nation's undiscovered recoverable oil and gas resources. According to the Department of the Interior, proven reserves and State and Federal waters off California total some 1.7 billion barrels of oil and 2.2 trillion cubic feet of gas.

The most recent Government estimate of expected undiscovered recoverable hydrocarbon resources in Federal waters off the entire southern California OCS planning area is an additional 1.6 billion barrels of oil and 2.8 trillion cubic feet of natural gas. These proven and undiscovered oil resources would be sufficient to power 10 million average-sized cars for 25 years, and for the same period it could heat up to 600,000 midwestern homes.

However, recoverable resources estimates for sale 80, the lease sale held this past October for acreage offshore southern California have been reduced significantly. These reduced estimates reflect the fact that a number of tracts with moderate to high potential were deleted from consideration as a result of congressional leasing moratoria, the deferral of the areas in the marine sanctuary and ecological preserve, the Interior Department actions in response to State and Department of Defense concerns.

If the withdrawal of these areas from leasing and exploration becomes permanent, it will mean the loss of an estimated 850 million barrels of oil and 1,180 billion cubic feet of gas with a wellhead value of nearly $20 million—excuse me, $29 billion at today's prices. This would represent 53 percent of all the oil and 42 percent of all the gas thought to be present in the southern California OCS planning region. This comes at a time when our country should be exploring for more oil. Our country already imports fully one-third of the oil it uses, about the same as before the Arab oil embargo. If we are to reduce this dependence on foreign oil and produce more oil and gas here at home, we must move ahead with the job of developing the oil and gas resources off our coast.

This is a task that is vital to both California and the Nation. We cannot afford to delay.

Thank you, gentlemen, and Mr. Chairman, for the opportunity to speak today.

Mr. **Stenholm**. Thank you.

Dr. Monastero.

TESTIMONY OF DR. FRANK MONASTERO, FORMER PRESIDENT AND CHIEF EXECUTIVE OFFICER, NEKTON, INC., SAN DIEGO, CA

Dr. **Monastero**. Mr. Chairman, I am Dr. Frank Monastero. Up until last week I was president and chief executive officer of a small seismic company in San Diego. I am going to—right now I represent an even smaller firm, myself. I will give you the comments today reflecting the situation at the company that I just left. I think they are instructive.

I should also mention that I am an oceanographer, trained oceanographer, and I also was the chief of the environmental studies program with the Bureau of Land Management, now the Minerals Management Service, for 6½ years. So I have experience in OCS matters, particularly with regard to the environmental impact.

The—first of all, with regard to the company, this company called Nekton. Nekton is a small seismic firm, independent seismic firm. They engage in acquisition of exploration seismic information for the oil industry.

I can say, personally say, that the Federal Government's inability or unwillingness to move ahead with a vigorous OCS leasing program in all OCS areas having potential has a devastating effect on Nekton. In the past 2 years that firm, which employed 120 people, has been reduced to where it employs fewer than 60. The gross receipts have been cut in half. The net income has gone from positive to very definitely negative.

The lack of commitment by all three branches of the Federal Government to this very important task has contributed in a significant way to the near demise of this particular business. It is bad enough that, you know, we have the uncertainties of market fluctuations to deal with. The inability of the three branches of the Federal Government to get together on a very critical policy like this makes it even more difficult to stay alive and make the right decisions with regard to investments that you need to make in equipment.

A comment by one of the preceding speakers about being able to react quickly is completely appropriate, and one I am sure you are aware of, being on the Small Business Committee. We do not have the luxury that the large companies have of having a business space where you can, if one aspect of your business is up, the other aspect is down, you can balance things out; you can move money around a little bit to stay alive. A lot of the companies that you are hearing from today, a lot of the companies that you probably hear from on a regular basis outside of these hearings, indicate to you that, you know, they are doing one very small thing, one very small part.

And with regard to the OCS, it is particularly true. Nekton developed some of the best technology in the business for finding oil in complex areas, helping these oil companies to find oil that is very, very difficult to find, and becoming more difficult to find. Drilling wells in the offshore costs somewhere between $8 and, in the North Slope, $150 million per well. Seismic information is a lot cheaper.

If things do not change with regard to the moratorium and all the primary is being taken out of consideration, companies like Nekton will not exist. Those technologies will not be developed. The oil industry will not have the opportunity to find those hard-to-get-at resources that we so desperately need.

Many of the small seismic companies that are in existence today, or have been in existence up until now, will go away. It is highly likely that when this shakeout is completed that you will see about, you will see five offshore seismic companies, five.

Congressionally imposed moratoria on leasing of certain OCS lands has reduced California offshore exploration to virtually a trickle compared with the Gulf of Mexico. Prime prospective submerged lands have been placed off limits to exploration in an effort by Congress to curb the authority of the Interior Department to discharge that specific function which was given to Interior in the OCS Lands Act, which you all passed, and the amendments thereto.

Their charge is to ensure the orderly exploration and development of oil and gas resources under the Federal submerged lands. In taking the moratorium action, Congress has unwittingly, I hope, reduced by 75 percent the market for my own company, for this little company and many other small companies like Nekton.

Very honestly, we are running out of prospective new lands to survey. It leaves me incredulous that Congress has done so in the name of environmental protection. Now, Mr. Yates has indicated—Yates, chairman of the Appropriations Subcommittee for Interior—has said that he cannot vote against the moratorium because the California legislators representing the coastal areas are opposed to it. They in turn are opposed to it because their constituents are opposed to it because of environmental problems and so on and so forth.

A lot of that is due to misinformation. A lot of it is due to lack of information, and a lot of it due to just downright ignoring information. What it really boils down to is, you know, do not gore my ox. That is really what it boils down to.

I listened to the gentleman from Laguna Beach. It is interesting, very interesting. I listened to the people who were talking about the development of condominiums. I personally find condominiums and hotel establishments right on the beach more noxious than an oil well offshore, than an oil rig offshore. I do not find the coastline being littered with small 2001-type establishments to my liking. I would much rather sit on the beach at night and look at the lights twinkling on the rig.

As of the close of the Federal fiscal year 1984, the Minerals Management Service and its predecessor, the Bureau of Land Management, alone had spent one-third of a billion dollars, a billion dollars, in studies to examine the environmental impacts of OCS exploration and development. That does not take into account the tens of millions that were spent by other Federal agencies, by private environmental groups, the oil and gas industry, and so on and so forth. There are literally thousands of pages of reports, millions of pieces of data that have been accumulated over 12 years which clearly demonstrate that there are no detectable impacts from offshore oil and gas activities.

Mr. Chairman, the record is clear. We can develop our offshore oil and gas, natural gas reserves, without harm to our environment.

The situation, you made the comment about your district in west Texas, what was the impact of the downturn in the business cycle. It is true that market forces have reduced oil and gas exploration to some extent, but it is highly instructive to look at the level of activity within the Gulf of Mexico where there have been substantial new areas opened to exploration. Drilling activity is the highest it has been in history. There are a record number of discoveries of oil and gas, and there are some 43 seismic vessels operating in the gulf. All of this activity is, by the way, being conducted in an environmentally safe manner.

We need bilateral support from Capitol Hill to remove those onerous restrictions to offshore exploration and to ensure that they are never instituted again. If we are going to discover the 53 billion barrels of oil that will be necessary to merely replace the reserves that we are using up between now and the year 2000, we will have to have the Congress and the administration work together as a team, each doing what they are supposed to do.

The existence of many small businesses hangs in the balance, as does the national security. I believe we should move ahead without delay with this vital national task, and we should place the burden of proof for not proceeding squarely where it belongs, on the shoulders of the vocal minority who oppose offshore exploration and development.

Thank you.

Mr. STENHOLM. Thank you.

Mr. Watson.

[Dr. Monastero's prepared statement follows:]

PREPARED STATEMENT OF DR. FRANK MONASTERO, FORMER PRESIDENT AND CHIEF EXECUTIVE OFFICER, NEKTON, INC., SAN DIEGO, CA

Mr. Chairman, my name is Dr. Frank Monastero and I serve as President and Chief Executive Officer of Nekton, Inc., a small offshore seismic data acquisition and processing company located in San Diego, California. Our principal clientele are the oil and gas exploration companies who operate offshore California and Alaska.

Mr. Chairman, in supporting accelerated offshore oil and natural gas development, I would like to stress its compatibility with protection of the marine and coastal environment.

I believe that the history of petroleum operations in the United States demonstrates beyond doubt that the national objective of accelerated but orderly offshore development is fully compatible with the equally important objective of preserving a clean and healthy environment.

Offshore petroleum exploration and production are not experimental undertakings. As far back as the late 1890s, underwater drilling was a fact of life in California, where piers were extended into the water to support drilling and production facilities. However, modern drilling and safety technology had its origin in petroleum operations in the Gulf of Mexico, with drilling starting in earnest following World War II.

Today, offshore oil and gas exploration activities are conducted in the waters of more than 64 countries. Many of those regions are also major commercial fishing areas, such as the North Sea, Cook Inlet (Alaska), the Gulf of Mexico, the Bass Strait (Australia), and the Java Sea.

Modern offshore oil and gas drilling operations are not a significant source of chronic oil pollution. It is impossible, of course, to drill hundreds of offshore wells each year without occasionally getting small amounts of oil into the water, but the quantities have been shown to be biologically insignificant. The drilling rigs are continually monitored and are subject to unannounced inspections from federal agencies, which can suspend operations and order corrective actions if harmful amounts of discharges are evident.

Fishing interests on the Atlantic coast have, on occasion, expressed concern about the potentially detrimental effects of offshore drilling and production on their livelihood. But a recent government study, covering the first year of a three-year study by the Georges Bank Monitoring Program, reports that exploratory oil and gas drilling activities in the Georges Bank fishing area have caused no significant adverse environmental impacts.

The Department of the Interior's Minerals Management Service conducted extensive biological monitoring studies of all discharges from drilling rigs in the Georges Bank area and several locations in the Gulf of Mexico, and could detect no harmful impacts. Similar investigations in the North Sea disclosed nothing more than very localized environmental changes.

The ocean's immense mobile water masses, extensive distribution and mobility of fish, the rapid release of most toxic organic compounds in crude oils through evaporation, dissolution and other weathering processes, the time-limited exposures of marine organisms to toxic concentrations of oil and, the resilience and high regenerative and reproductive capabilities of most marine species and ecosystems all combine to make it highly improbable that a spill in the open ocean would destroy or even materially damage a major fishing ground.

More than 30,000 wells have been drilled in state and federal waters in the United States to find and produce oil and natural gas. There has never been an oil blowout during exploratory drilling in U.S. waters. Moreover, there has been only one offshore platform accident that resulted in significant amounts of oil reaching the shore. That was 15 years ago in the Santa Barbara Channel off the coast of California. The damage from that accident was temporary and, today, as visitors can see, the channel area shows no lasting impact from the accident. In fact, even including the Santa Barbara incident, not a single area involved in federal oil and gas lease offerings held to date shows evidence of degradation to the coastal zone, the marine environment, or the fishing industry.

It has been stated publicly by the NOAA Hazardous Materials Spill Response Office in Seattle, WA, that there have been no documented cases of long-term significant impact resulting from hydrocarbon spills from offshore exploration and producing facilities. Furthermore, they have said that there have been detectable effects of spilled hydrocarbons after three months in only two spill situations, both of which were associated with tanker accidents, not OCS activities.

Drilling platforms and the towers supporting them extend from the bottom of the sea to above the water's surface. Considerable research has demonstrated that the submerged portions of the platforms act as artificial reefs which provide surfaces for the attachment of encrusting organisms (mainly barnacles) and offer feeding grounds for grazing fish. Other species of fish use the platforms for orientation or as refuges from predators. They apparently are attracted to the structure itself, not to the presence of feeding grounds or prey species of fish.

With regard to commercial fishing, the four-plus decades during which this activity has coexisted with petroleum production in the Gulf of Mexico are evidence of their compatibility.

The National Marine Fisheries Service reported that in 1950 the commercial fish catch in the Gulf of Mexico amounted to some 571 million pounds. By 1982, the commercial catch in the gulf had increased to more than 2.3 billion pounds.

While the increase in catch is attributable to new technology and a larger fishing fleet, it does indicate that oil-related operations in the gulf have not adversely affected the commercial fish population.

The offshore leasing program is required to meet the environmental safeguards of the Outer Continental Shelf Lands Act, the Clean Water Act, the Endangered Species Act, the Marine Mammals Protection Act and others. Companies engaged in ocean leasing and development must comply with 74 sets of federal regulations and secure up to 17 major permits. Their exploration, development, and production plans must be consistent with State coastal management programs where those plans affect land or water uses. All told, nearly three dozen federal laws concerned with environmental protection and navigational safety affect offshore oil and natural gas operations.

From a personal point of view, I can say that the Federal government's inability or unwillingness to move ahead with a vigorous OCS leasing program in all areas having potential has had a devastating effect on my small company. In the past two years, we have gone from a firm which employed 120 people to one which now employs fewer than sixty. We have seen our gross receipts cut in half and our net income go from positive to negative. The lack of commitment by all three branches of the Federal government to this very important task has contributed in a significant way to the near demise of our small business establishment.

Congressionally-imposed moratoria on leasing of certain OCS lands has reduced California offshore exploration to virtually a trickle compared with the Gulf of Mexico. Prime prospective submerged lands have been placed off limits to exploration in an effort by Congress to curb the authority of the Interior Department to discharge that specific function which was given to Interior in the OCS Lands Act Amendments of 1978, namely, to ensure the orderly exploration and development of oil and gas resources under our Federal submerged lands. In taking this action, Congress has unwittingly reduced by 75% the market for my own company and many other small companies like mine. We are virtually running out of prospective new lands to survey.

It is true that market forces have reduced oil and gas exploration to some extent, but it is highly instructive to look at the level of activity within the Gulf of Mexico where there have been substantial new areas open to exploration. Drilling activity is the highest it has been in history, there are a record number of discoveries of oil and gas, and there are some forty-three seismic vessels operating in the Gulf. All of this activity is, by the way, being conducted in an environmentally safe manner.

What this demonstrates is that, even though the price of oil is depressed, our domestic exploration companies are willing to make the financial commitment to seeking new oil and gas to replace our rapidly depleting reserves. Offshore California, the opportunity is being taken out of their hands by the government. In turn, that is ensuring that small businesses such as mine and many small suppliers of goods to the offshore industry will have to face the prospects of shutting our doors.

We need bilateral support from Capitol Hill to remove these onerous restrictions to offshore exploration and to ensure that they are never instituted again. If we are to discover the 53 billion barrels of oil that will be necessary to merely replace reserves between now and the year 2000, we will have to have the Congress and the Administration work together as a team, each doing what they are supposed to do. The existence of many small businesses hangs in the balance, as does the national security.

As of the close of the Federal Fiscal Year 1984, the Minerals Management Service (and its predecessor, the Bureau of Land Management) alone had spent one-third of a billion dollars in studies to examine the environmental impacts of OCS exploration and development. This does not take into account the tens of millions spent by other Federal agencies, private environmental groups, and the oil and gas industry. There are literally thousands of pages of reports and millions of pieces of data that have been accumulated over 12 years, which clearly demonstrate that there are no detectable impacts from offshore oil and gas activities.

Mr. Chairman, the record is clear: we can develop our offshore oil and natural gas reserves without harm to our offshore environment. I believe we should move ahead without delay with this vital national task, and we should place the burden of proof for not proceeding squarely where it belongs: on the shoulders of the vocal minority who oppose offshore exploration and development.

TESTIMONY OF ROBERT G. WATSON, OWNER, INTERNATIONAL MARINE SUPPLIES, PORT HUENEME, CA

Mr. WATSON. Mr. Chairman, my name is Bob Watson. I am an owner of a company called IMS Marine Supplies in Port Hueneme, CA. I am here this morning to testify for Mrs. Carroll Hill. Mrs. Hill is of Richill Marine, Inc., of Ventura, CA. She is a member of the National Ocean Industries Association and serves on NOIA's proleasing task force committee. She is also a small business representative on the Outer Continental Shelf advisory board policy committee. She is attending that committee biennial meeting today and is therefore unable to attend. I would like to read her statement for the record.

Having been a member of the Texas and Louisiana small business community and now a member of California's, I am deeply concerned about the negative effects that offshore moratoria are having on the hundreds of small businesses all along the southern California coast that depend so completely on the business from OCS development. I am concerned about the head-in-the-sand posture that has been adopted by layman and lawmaker alike in recent years, that oil and gas development on the Outer Continental Shelf is of no benefit to anyone but the major oil companies.

This narrow view is short-sighted, uninformed, dangerous, and detrimental to our Nation's economic health and security. While oil and gas development is the second largest source of income to the U.S. Treasury, it is the small business supporting that development that make those contributions to the treasury possible. While hundreds of small businesses are directly dependent on OCS activities, hundreds more depend on serving those support companies. The companies around the country number in the thousands.

Richill Marine is a prime example of a small business directly dependent on OCS activity for every incoming nickel. They are a real mom-and-pop-type operation. Mr. and Mrs. Hill presently manage nine offshore oilfield vessels. Their son, their oldest son, is port captain responsible for the day-to-day upkeep and maintenance supervision of the fleet. Their other son graduated from high school and is presently working as an engineer learning the business from the ground up. Their daughter is bookkeeper, secretary, and office manager.

Their records indicate when business is good they spend over $1 million a year with more than 100 vendors. 90 percent is invested directly into the vessel maintenance and repair; welders; mechanics; supplies; filters; replacement machinery and parts; maintenance, repair, replacement of lifesaving equipment; electronics; navigation aids; groceries; and housewares.

According to a recent survey of four direct competitors, our figures are typical of our segment of the business. If you combine the five companies in question, you have $5 million a year being spent primarily in the local area. A large percentage of the vendors we use are located between Santa Barbara and Long Beach, CA. If you add payroll and benefits, an average of $10,000 per month per boat, you can see the contribution to the community is not small. State and local taxes are an additional. Remember, we are only talking about 5 of 10 operators working in the area.

The potential impact into the Ventura, Oxnard, and Port Hueneme area alone is substantial. I say potential because every boat operation is suffering from a lack of OCS activity. The promised work just is not happening. It is not a case of west coast fleet being overstocked, as has been suggested. In 1982, almost every vessel here was working, working at reasonable day rates that allowed for fair wages, proper maintenance of equipment. Early in 1983, with OCS lease sales pending and expanded drilling taking place in the Santa Maria basin, a few operators added a few larger and newer vessels to their fleet. In some cases contracts were awarded to gulf operators who did not already have equipment located on the west coast. Several vessels have been returned to the gulf, some have been repossessed, and a few have been removed from oil field service. The net effect is no real increase in the west coast fleet in the past 2 years.

This coupled with production and development delays and sharp declines in exploration activity has left us in a sudden, unexpected dilemma. This recession is not only evidenced by the number of vessels tied up but also by the drastic reduction in day rates being offered, which in turn results in severe cuts in crews' wages and benefits, reduced expenditures for mechanical upkeep, and general maintenance supplies. Every vessel not working costs the economy tens of thousands of dollars in the market. Every vessel working at half its true value is worth an equal cut in expenditures that would otherwise support the community and filter out to others across the State and country.

It is perhaps this ripple effect that is the most difficult to demonstrate and put a dollar figure on, but let me assure you it is substantial. Although we buy everything we can from local vendors and suppliers, much of what we purchase is manufactured outside the area. Fuel and lube filters are manufactured in Nebraska, Rhode Island, and North Carolina; machinery repair and replacement parts come from Illinois, Wisconsin, Michigan, Maryland, and New Jersey; fuel and water transfer pumps from Ohio; lifesaving gear from Florida and Minnesota; paint from Kentucky, Missouri, and New Jersey; rope from Pennsylvania and North Carolina; and navigation and communication equipment is manufactured in such places as New Jersey, Texas, Ohio, Wyoming, Virginia, and Rhode

Island. I am sure you get the picture. Every dollar we don't spend doesn't get spread around.

Another factor is that many of the items that we purchase regularly from local suppliers are also used on the rigs and platforms and often purchased from the same suppliers. To say that the oil industry is not as eager to identify potential reserves and develop them because the price per barrel is down, perceived oil glut, is totally erroneous. One of the most difficult tasks facing the geological experts in the oil industry is not locating the reserves. No, the greater challenge is convincing you, the lawmakers, the consumers, the environmentalists, of the true status of our energy future. The most difficult fact to get across seems to be that by the year 2000, three-fourths of all the energy this country will require has not yet been discovered. That is only 15 years from now.

Alternate energy sources have been proven to be much farther from reality than a mere 15 years. Average time required in California from the time a lease sale procedure is allowed to commence, to the day the first barrel of oil is delivered to the refinery is no less than 10 years. Projects in deep water or hostile environments are running 13 to 15.

I respectfully submit to you current "oversupply" and somewhat lower prices of oil will not in fact be with us long. They could be long gone before currently scheduled lease sales produce results. This is evidenced by the increase in price per barrel of oil imported from Canada just a few weeks ago. Escalated fighting in the Middle East once again threatens the flow of crude to the United States and our allies with whom we have treaties that guarantee shortfalls of fuel supplies will be made up by diverting precious U.S. reserves.

An important factor in the cutback of work is permitting delay tactics subscribed by the local and State agencies and environmentalists. Exxon, Santa Ynez unit, has now entered its 17th year of permitting and litigation negotiations and yet another lawsuit looms. Chevron's Hermosa project has been in and out of hearings, negotiations, and litigation for years. Yet after passing the scrutiny of 17 different agencies at all levels of checks and balance systems and over 100 hours of public testimony and millions of dollars of expense, it now appears it may be subject to popular vote through referendum.

In the meantime drilling rigs are being moved from California back to areas where they have a better understanding of the real effects of offshore development, both economically and environmentally. Boats are stacked in the harbors and marinas, casing and drill pipe lie in the yards, equipment and supplies sit in the warehouse, leaving proprietors with thousands of dollars tied up in inventory with little turnover.

However, more than the status of current oil market and permitting delays is the heart of our underemployment. The real problem that leads to and perpetuates the unexpected shortfalls in OCS development is the moratoria. The bureaucratic manipulation of a congressional mandate to expedite offshore development in the interest of national economy and security.

If the congressionally imposed moratoria had truly been for one year only, and if areas under the moratorium were low in oil and natural gas potential, the long-term impact on petroleum production might have been minimal. However, neither are they truly 1-year acts nor are they all in areas of low potential. Instead, they have blindly continued from year to year. They include some of the Nation's most promising offshore areas, extend the length of time it will take to find and produce crude oil and natural gas from these areas, increase the need for imported oil, add to our trade deficit (costing dollars and jobs at home), and raise vulnerability to future cutoffs of imported oil.

In assessing the impacts of offshore leasing moratoria several basic facts are important to keep in mind:

First, the extent of petroleum resources in any area cannot be known for certain until actual drilling has taken place. Moratoria prevent this knowledge from being obtained. We must be allowed to assess these areas to know what the future really holds.

Second, even a very large oil and gas field covers only a small amount of acreage. Thus, closing an area of only a few thousand acres to exploration could deny the country access to a major source of petroleum.

Third, our domestic petroleum reserves are located in small fields as well as large ones. A nation which must find, let alone produce, more than 8 million barrels of oil per day for the next 10 years just to keep present reserves in balance cannot afford to exclude promising prospects.

Those who say that the most promising offshore California areas are not affected by the moratoria overlook these facts:

Off the coast of central and northern California, the current moratorium prohibits leasing during fiscal year 1985 on about 35 million of the 37 million acres. The U.S. Geological Survey estimates the potential resources of this area are approximately 1 billion barrels of oil equivalent.

Efforts are underway in Congress to insure a continuation of this moratorium. I say 4 years is long enough.

Off southern California, the current moratorium prohibits leasing during fiscal year 1985 on 1.85 million acres of the approximately 12 million acres DOI had planned to offer for consideration in lease sale 80. However (according to official estimates), that 1.85 million acres may contain from 60 to 70 percent of the sale area's potential petroleum resources. This is estimated to amount to about 250 million barrels of oil equivalent.

DOI has estimated that in 1984 the moratoria cost the United States 328 million barrels of delayed petroleum (oil and gas) production and $44 million just in lost interest payments on bonuses not paid the Government because of the moratoria on leasing. The net loss to the Nation's economy is estimated at $111 million for the 1-year delay.

DOI further estimates that permanent bans on the same offshore areas (as have been suggested by some) would deprive Americans of 2.24 billion barrels of petroleum. This would cost the Government $3.5 billion in lost revenue and the economy $8.8 billion and more, if additional areas are included in the moratoria. This hardly helps solve our deficit problems.

Our offshore areas may contain as much as 53 billion barrels of liquid petroleum and up to 310 trillion cubic feet of natural gas—a significant addition to our energy supplies. But it takes 2 years to schedule a lease sale, several years more to explore an area and up to 11 years to bring a field into full production (years longer in more hostile environments and deeper waters).

Our offshore leasing program must be kept on schedule and should offer as much acreage as can be reasonably explored by the petroleum industry. This is necessary to meet future energy needs and to allow orderly planning and implementation of exploration and production operations.

Mr. Chairman, moratoria, no matter how well intentioned, interferes with this orderly essential process, seriously affects my business and hundreds of other mom-and-pop operations and small entrepreneurs with limited resources with which to outlast a misinformed bureaucracy that procrastinates via moratoria, in effect "deciding not to decide." Those who have been chosen to protect this country and ensure its prosperity should face these realities and make a real commitment to ensure the well-being of America.

The moratoria we are suffering under does not serve the public interest, and must be abolished.

You are here to assess the impacts of OCS development on small business. I am here to tell you those impacts are substantial.

Let me close with this true story. While specific to my segment of the industry it is typical and applies widely in assessing the current situation.

Congress adopted the Outer Continental Shelf Lands Act and mandated expedient development of our offshore energy resources. Adequate equipment was available to do the job. After the oil embargos of the late 1970's, the President and DOI recognized the necessity of protecting ourselves by identifying our reserves as quickly as possible and began preparation of an accelerated development plan.

Accelerated development would require more equipment and services to meet the challenge and industry answered the call. Established operators expanded—families like ours with experience and know-how saw an opportunity for a small piece of the action.

While the rest of the country struggled with a deep recession, the deep south went to work. Drilling companies contracted for new state-of-the-art rigs, boat companies scheduled shipyards for new vessel construction. Lenders all over the country also answered the call. Millions upon millions of dollars were committed not only to the major companies who already had good lines of credit, but to many of us who believe in the American dream and our elected lawmakers.

In return for our faith and commitment, we got moratoria instead of jobs. Moratoria that wiped out the need for new rigs, boats, or expanded pipeyards or improved dock or increased stocks, supplies, and inventory. At first some of the new equipment went to work replacing older equipment. The rest sat at the dock demanding day rates that would meet the debt service and pay expenses. The price-cutting started. Moratorias were extended another year. Lenders who had been so eager to help us meet the challenge thrown down by Washington began to look for creative ways to defer a full debt service, deferred payments, reduced payments, interest only, deferred interest.

The moratoria was extended another year. Hope of hanging on faded. Repossession had begun. Today, every port that deals with OCS development is stacked with idle, much of it repossessed by banks and insurance lenders from coast to coast. One major midwest lender alone has recently repossessed $23 million in new vessels. The list of major lending institutions and local banks alike who put confidence in the plan developed on Capitol Hill to be forced at last to foreclose is lengthy.

Hundreds of boats sit in storage harbors, canals, back bayous, and marinas with little or no hope of utilization in the foreseeable future if the moratoria are not lifted. Dozens of small operators are barely hanging on. Majors are merging. Several boats in California have been repossessed while others were returned to the gulf only to be repossessed or at best are sitting at the dock collecting barnacles.

Yes, Washington sent in the signal, industry gets out on the scrimmage line, and then someone called time out. Now you ask if OCS development impacts small business. The record speaks for itself.

Thank you very much.

Mr. STENHOLM. Thank you, Mr. Watson.

Mr. Broomfield.

Mr. BROOMFIELD. Mr. Chairman, I merely want to comment that I think these witnesses here particularly, are very, very interesting, and I want to say to—is it Mr. Monastero?—that I really think, listening to your testimony and coming from Michigan and, really, this is the first weekend that I have ever really been exposed to offshore drilling in my entire life, that I probably reflect the views of a good many Members of Congress.

You are extremely critical of Congress and the Federal Government. Maybe I am wrong, but my assessment is that you have to get your act together here in California. It is just not the Congress, and I think that Congressman Yates' statement as to attitudes and so forth are reflected by the feelings of members of your own delegation.

You take Congressman Dymally, you take Congressman Lungren, I will tell you, it is awfully hard beyond those two to find people in your own delegation that support offshore drilling or the removal of the moratoria. You have got to get these people together, and I am saying this as a person who believes in the things that you have been saying today, to get things moving.

Now when you stop to look at our balance of payments, what an opportunity you have out here to help our country in selling oil and energy to Japan, one of the worst offenders on the balance of trade right now, nearly $42 billion in balance.

But, frankly, unless you get the political situation together, and it seems to me you got problems all the way through. It is through your legislature, through your local governments all the way down. But if you do not have the support of your own congressional delegation, there is not much hope for getting people from Michigan or any other area in supporting what you want to do.

I think the time is long past, and I thought it was incredible yesterday when I went out to one of those rigs out there, one of those platforms, and to find out how long it takes once you get these things going before you could even do the production. Something is wrong.

Now that does not mean you have to cut short on environmental protection or anything else. But they have got to start coordinating if we are ever going to meet the needs of this country. All I am saying, you have got a great delegation. The point is, you have got to do just like what his constituents did, Mr. Dymally. Get him in a corner and say, why do you not do something about it?

If you did that, you would see Congress responding.

Mr. MONASTERO. Mr. Broomfield, I appreciate your comment.

I will relate an incident to you which I hope shocks you. We have talked with a number of the Congressmen from the California delegation. We have gone to great lengths to present information to them, packages of information about what actually occurs, statistics, pictures, personal recounting of incidents that might be of interest to them, give them some understanding of how long it takes and the impact, the broader impacts of offshore exploration and development on their constituents.

The bottom line is—I will give you a sense of the bottom line. One of the Congressmen said to us, well, I can appreciate all that you have said. I understand what you have said and, you know, if it were personally up to me, I would support it. But, you know, there are people out there who cast ballots, and they do not support it.

Now, my opinion is that you all have been elected to the positions that you hold because you have the ability to look through what may be false information, what may be misleading information, and to make decisions for the greater good. At times I believe that a Congressman has to look at the situation and say, well, it may not be the most popular decision, but in my heart I know that if I do not support it, my constituents will—my constituents who may not be later, after the next election—will suffer in the long term. I am going to make this vote. It is a vote of conscience.

It is a very difficult task to convince the California delegates that although it is unpopular it is very necessary, and that they should vote their conscience, not their next election.

Mr. STENHOLM. Mr. Dymally.

Mr. DYMALLY. No questions.

Mr. STENHOLM. I have no questions, but I think it would be very fitting at this point, in light of Mr. Broomfield's excellent statement and your response, and in fact, all three of your testimonies, to recall for the record a conversation that I had with a young man on the offshore platform yesterday. He was talking about his job and the concern that he had for the future of his own job; he was enjoying his work on that particular platform.

He said that he had been offered a promotion, could get off of that platform, and go back to the office. He said, "I am enjoying what I am doing." Another individual broke in at that time and said, "Well, you are doing a darn good job." And the first individual said, "Well, that is true, but the moment I get to believing that, I can be replaced very easily."

But he said, "You know, they can replace me, but they can never replace my attitude."

An attitude is so very important in all that we do, and you made mention of that in your opening statement. I think that is very important at this point in time.

Thank you for your testimony.

Our last panel, Mr. Dashew, Mr. Owen, and Mr. Monahan.

Who are you?

Mr. OWEN. Mr. Owen.

Mr. STENHOLM. Mr. Owen. OK.

Mr. OWEN. Mr. Monahan I know is not going to be here.

Mr. STENHOLM. All right. Mr. Dashew is not here, so we will be happy to hear from you.

TESTIMONY OF PAUL E. OWEN, ASSOCIATE, TUG BOAT REALTY AND THE GREATER VENTURA CHAMBER OF COMMERCE, VENTURA, CA

Mr. OWEN. Thank you.

My name is Paul Owen from the city of Ventura. I am here representing small business and the chamber of commerce. I am the immediate past president of the chamber of commerce, and we have a very active chamber there of 1,100+ members; and, in fact, we have been testifying as far as Washington, DC on this particular issue.

Ventura is an oil town, always has been and always probably will be.

Our county, like yours, the area that you are from, Mr. Chairman, is somewhat similar, because we are primarily an agricultural county, plus oil; and then the third level is government. We have a lot of Navy bases and what-have-you.

So, we are feeling the pinch both ways. Now, I would like to comment on all the comments that have been made about tourism. I would like to address that, if I may, first.

The information that was given to you by the people at Laguna Beach is just not true. For example, in Santa Barbara, since the 1969 oil spill, tourism has increased 224 percent.

In Ventura, tourism increased 28 percent this last year. Our bed tax is now close to $1 million a year. We have two new major hotels—one a Harbor Town Resort Hotel. It was just completed for $40 million at the harbor plus another 300 room addition in planning; people like to sit in those rooms and watch those crew boats go in and out of the harbor, and see the twinkling lights out there at night.

Second, the Sheraton Hotel is under construction—another $25 million.

In Santa Barbara, they just had approval for another large hotel up there on the waterfront. We like progress.

The problem, of course, in Ventura County is that the glut of oil, the shutting down of the onshore facilities had created basically a depression. But we had—in a normal year there, we had approximately 27,000 people working in the support activities for the oil industry in Ventura County.

At the present time approximately 14,000 of them are either unemployed or underemployed or parttime.

Layoff from VETCO. VETCO is the largest employer we have in Ventura; it is not considered a small business, but just to give you an idea of the impact of the onshore depression and offshore moratoria on the support industry in the country.

VETCO is primarily an offshore oil equipment company, around the world, and they are primarily involved in the equipment that is down at the bottom of the ocean such as blow-out preventers, et cetera.

They laid off 450 people last year in the Ventura area alone. Last year Getty Oil Co. advertised for a couple of roustabouts in the paper. They had 250 people lined up the next day for that work. They had a total of 400 applications. We are suffering.

Small businesses are falling by the wayside, especially machine shops and things along that line, and the Avenue of Ventura is the heart and soul of the offshore industry, and, in fact, the major industry in that area.

Almost all of the oil support businesses are in that general vicinity, except some of those working out of Port Hueneme. There have been several chapter 11's in that area as well—the same as in your area, Mr. Chairman.

We were hoping that because of the onshore depression that we would be able to use offshore to put those people to work, and keep those businesses going.

We also, as part of the restaurant comment, is concerned—we have about 20 restaurants in Ventura that are overlooking the ocean; and those people are sitting there and looking at those platforms, and I don't hear any complaints. The National Park Service located in Ventura at the Harbor, is headquarters for the Islands National Park; and the tourism there is fantastic.

Now, as recently as last year, I was testifying before a group from the Department of the Interior.

And the party from GOO were also testifying; GOO is an organization in Santa Barbara called "Get Oil Out."

They are a very active organization, in fact they remind me a little bit of the story of "Chicken Little," but, in any case, they had some studies made by some experts, and announced the fact that there was really no need for taking the moratoria off because of the fact that the glut was going to last another 8 years. Well, that is exactly the right time it takes after the lease has been awarded for the oil to start flowing—8 years.

Earlier you heard about the crew boats and the supply boats. We have 20 or 30 of those sitting around in the harbor. That is expensive.

The oil spill of 1969. I was public works director for the city of Ventura when the oil spill came along. We did not adopt the Santa Barbara panic type approach. We decided to work with Union Oil and their contractors.

As a result, our beaches have never been so pristine. The rocks were all sandblasted on the jetties and what-have-you; and it was a beautiful job that they did for us including cleaning up the flood damage that hit us at the same time.

We think they are good neighbors.

The oil spill really, I think, has been overly reacted to. We did not have any problem with it at all.

Last but not least, let's get on with the offshore oil in OCS in the Santa Barbara Channel, and let's not let our country again be in the position it was in 1974 and 1978 of being a hostage to foreign countries.

Let's get on with our problems. Let's get rid of the moratoria, and let's put these people back to work.

Thank you.

Mr. STENHOLM. Thank you, Mr. Owen.

Mr. Broomfield.

Mr. BROOMFIELD. Mr. Chairman, I merely want to compliment you on a very fine statement. I have enjoyed being here today and getting this information.

Mr. OWEN. I am glad you could come out. I hope you know where Ventura is, incidentally.

Mr. BROOMFIELD. Oh, yes, I do. I stopped by there.

Mr. STENHOLM. Mr. Dymally?

Mr. DYMALLY. Mr. Chairman, I want to commend you and Mr. Broomfield for coming out here. I heard the news of Speaker O'Neill in Moscow, and I know for certain that Mr. Broomfield as a ranking minority member of the Foreign Affairs Committee would have been there making the case for bipartisan approach of Speaker O'Neill's delegation; so I was very pleased and surprised to see him here this morning.

This is a very important hearing for this part of California—the district that I represent, southern California, and the entire State.

I hope that I will have some influence on the California delegation, because I sometimes feel like they are the "Lone Star."

Thank you very much.

Mr. STENHOLM. Being a "Lone Star" is not all that bad.

[Laughter.]

Mr. STENHOLM. I welcome you to visit Texas.

Mr. OWEN. Thank you.

Mr. STENHOLM. You will be welcome at any time.

Thank you for a very excellent statement. I had the pleasure of visiting in Ventura yesterday. Having seen some of your agriculture, and seeing some of the great beauty in that area, I think you have a lot to be proud of.

I appreciate your statement and would say if there are no other comments from any member of the panel, we have enjoyed being here. It has been, I believe, an excellent hearing.

[Mr. Owen's prepared statement follows:]

PREPARED STATEMENT OF PAUL E. OWEN, ASSOCIATE, TUG BOAT REALTY, VENTURA, CA

Mr. Chairman, my name is Paul E. Owen and I serve as a representative of Small Business, and the greater Ventura Chamber of Commerce

Mr. Chairman, the decision by the Reagan Administration to bring about a complete inventory of oil and gas resources and accelerate exploration and development on America's Outer Continental Shelf (OCS) during the five-year period 1982-1987 represents one of the most important and positive changes in energy policy ever experienced in the United States.

The plan was developed in compliance with the congressional mandate in the Outer Continental Shelf Lands Act Amendments of 1978, which called for a program that would result in "expedited exploration and development of the OCS in order to achieve national economic and energy policy goals, assure national security, reduce dependence on foreign sources, and maintain a favorable balance of payments in world trade."

The current offshore leasing program became final in July 1982 after 19 months of detailed consultations between the U.S. Department of the Interior and twenty-three affected states. The administration record relating to the plan totals approximately 5,000 pages and also includes participation by local governments, environmental groups, industry, and the public. The effort has been described by Interior Department officials as "the most comprehensive, exhaustive project in the Department's history."

The areas to be offered for leasing were to be selected from about one billion acres under federal control. Most of the offerings were to be organized on an "area wide" basis, meaning that broad areas would be considered initially, with the emphasis being placed on leasing those tracts believed to contain the greatest potential for significant oil and gas discoveries.

The schedule called for twelve offerings in the Gulf of Mexico, sixteen off Alaska, four off California, eight off the Atlantic coast and one reoffering sale. However, numerous changes have been made in the schedule, partly in response to congressional withdrawals of large areas in the Atlantic, the Pacific and the Gulf of Mexico, partly to accommodate the concerns of coastal states and partly to allow more time to study the areas proposed for leasing.

The current leasing program has produced satisfactory results in some areas, but it has not fully achieved the purposes and objectives of the 1978 amendments to the OCS Lands Act. In large part because of offshore leasing moratoria, leasing to date has been overly concentrated in the mature provinces of the Gulf of Mexico, while leasing in other areas has been on a much lower level.

For example, during the first two years of the current program, six sales in the Gulf of Mexico accounted for 66 percent of the total acreage offered and 75 percent of the total acreage leased, while:

- Four Alaska sales accounted for 14 percent of the acreage offered and 20 percent of the acreage leased;
- One small sale on the California OCS accounted for less than 1 percent of the total acreage offered and less than 1 percent of the total acreage leased;

- One Mid-Atlantic sale accounted for 9 percent of the acreage offered and 1 percent of the acreage leased;
- One South Atlantic sale accounted for 8 percent of the acreage offered and less than 1 percent of the acreage leased; and
- No sales were held in the North Atlantic.

The efficacy of the current program is demonstrated by the recent history of leasing in the Gulf of Mexico where there is currently brisk exploration activity. The current five-year program represents a significant departure from past OCS leasing programs, which resulted in only 2 percent of the entire federal offshore land base being leased from 1954 through 1980. Despite three decades of repeated congressional declarations concerning the urgency and national security importance of developing the nation's offshore oil and gas resources, until the Reagan Administration came into office the Federal Government had leased only about 19 million offshore acres for oil and gas exploration after offering only about 41 million acres.

From the small amount of federal offshore acreage under lease, oil companies produced nearly 6.4 billion barrels of oil and more than 62 trillion cubic feet of natural gas through 1983. The federal government's direct cumulative revenues from offshore oil and gas bonuses, rentals and royalties through 1983 totalled about $68 billion -- not including income taxes paid by companies operating offshore. Opponents of the offshore leasing program often overlook the fact that, in terms of benefits realized by

American consumers and taxpayers, this is one of the most successful federal programs in our history.

The five-year program is intended to provide industry with access to areas in which new discoveries are possible. It must make up for the failure to increase leasing in the 1970s, when rapid oil price increases created so many new opportunities for finding economic resources, and it must not put undue constraints on industry's ability to determine optimum exploration strategies. This is particularly important when all sectors of the economy are experiencing cash flow problems. With less money to allocate to exploration, it becomes even more important that the money available be spent on the most promising prospects. By considering entire planning areas for leasing, the new program allows companies to focus their exploration efforts on the tracts believed to offer the best potential for significant oil and gas discoveries. A report published by the National Petroleum Council indicates that up to one-half of the recoverable oil yet to be discovered in America may be found in the Arctic. That report further estimates the Arctic's undiscovered energy reserves to be 24 billion barrels of oil and 109 trillion cubic feet of natural gas. More than two-thirds of these estimated reserves are assigned to Alaska offshore provinces.

Many individuals recognize the importance of the OCS leasing program to our energy future and national security, but fail to appreciate the sense of urgency, the need to move forward with an aggressive schedule now. Once again, the explanation and rationale are quite simple.

One does not obtain a lease one day and begin production the next. It may take years of effort to find commercially producible supplies in previously unexplored areas. And after discovery, it often takes from 3 to 11 years to develop a new offshore field and create a system to deliver the oil or natural gas to consumers. In deep waters and hostile climates such as the Arctic, 15 or more years may be required after discovery to bring newly discovered fields into production.

There are dozens of interrelated interim steps between the lease sale and actual production, provided, of course, that oil and/or gas are found in commercial quantities. Up to 17 major permits or plan approvals must be obtained just to begin various exploration and development operations. All in all, the process is a lengthy, complex one involving scientists of many disciplines, numerous companies and private contractors, representatives of many departments of the federal government, state government officials, special interest groups, environmental studies, weather delays, and many other unforeseen variables and complications.[9] It all takes time.

Support today of an aggressive five-year OCS leasing schedule is a positive commitment to ensuring this country's energy supply and national security in the 1990s and beyond the year 2000. Long lead times to production require that we proceed now without further delay.

Now, I would like to limit my comments to the Santa Barbara Channel and Ventura County & City. Let me preface these remarks with a little information on my background. During the 1969

Santa Barbara spill I was Public Works Director for the City of Ventura and retired from the City in 1979. I have, since retiring, been in the real estate business, a consultant, and am the immediate past president of the greater Ventura Chamber of Commerce (1,100 members).

Ventura City & County is the heart of the offshore activities in the Santa Barbara Channel. The City Council and the Board of Supervisors both support further offshore activities.

Most of the support companies are located in Ventura and the majority are classified as small business. In the County, during normal times, about 27,000 jobs are occupied in the industry of which better than 50 percent are in Ventura City. Because of the depressed state of onshore oil and the moratorium, about 14,000 of those people are either unemployed, or under employed as part-time. In the so-called Avenue area of the City where most of the support companies are, the unemployment rate is approximately 12 percent. This area was designated a pocket of poverty by the FDA. We want the moratorium removed now and put these people back to work.

Ventura Harbor is a major port for the crew boats handling the platforms offshore. It is interesting that this harbor has the crew boats, sport fishing boats, deep sea fishing boats, and 1,800 pleasure boats and they all are compatible. Tourism is up, an increase of approximately 20 percent over last year. The various types of boats seem to be a drawing card.

I understand that some of you are concerned about another spill such as 1969. Let me give you another side of the spill other than what you undoubtedly heard and read from our neighbors to the north, Santa Barbara.

As I stated earlier, I was Public Works Director at the time and it fell to me to do what we could about the whole situation. We decided that rather than take the attitude of Santa Barbara that we would work with Union Oil. As a result, Union not only cleaned up all the oil, but also cleaned up all the flood damage on the beach that occurred at that time. We were very pleased with the way it worked out and there was no lasting damage. Oil is a good neighbor. Incidentally, we were used to oil on our beaches because for thousands of years Coal Point has been seeping. Arco has now put a cover on that seep and is processing it.

In any case, we believe that the moratorium can be lifted safely and should be lifted now. We can never again be in a position where we, the United States, are a hostage. Let's get on with the drilling and production immediately.

Mr. Stenholm. The record will be kept open for 2 weeks. Any additional comments that anyone would like to have placed into the record will be made a part of the record, as will the statements of all others who have submitted printed comments.

This committee does not have jurisdiction over this particular issue, but we do have jurisdiction over responsibilities in the area of small business. That is why we are here, and this testimony will be studied in depth by members of the committee. Various input from this hearing will be sent to those committees of jurisdictional responsibility in order that they will benefit from the viewpoints of those who have testified.

I will do one other thing that I always hoped to be able to do as Chairman.

I would like to provide an opportunity to anyone in the audience who would like one minute to have something placed into the record. I do not wish it to be said that we would not listen to any and all viewpoints, even though you were not able to present it in the prescribed way.

[No response.]

Mr. Stenholm. Seeing no show of hands, we will then adjourn this meeting.

[Whereupon, at 12:05 p.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

APPENDIX

PREPARED STATEMENTS RECEIVED FOR INSERTION IN THE HEARING RECORD OF APRIL 10, 1985

FOR IMMEDIATE RELEASE

CONTACT: Craig Hume
(213) 653-6571

SMALL BUSINESS LEADERS SPEAK OUT: OFFSHORE DEVELOPMENT IS GOOD FOR CALIFORNIA

SOUTH GATE, Calif., April 10, 1985 -- Small business leaders from throughout California and three California congressmen today testified before a congressional subcommittee that moratoriums on offshore development along the California coast pose an economic threat to the future of small businesses in the state.

The congressmen scheduled to appear included Mervyn Dymally, a Los Angeles Democrat, and Republicans Dan Lungren of Long Beach and Dave DrEier of Laverne.

Recent cutbacks in offshore exploration and development activity on the California Outer Continental Shelf have hurt many small business directly and indirectly connected with the oil and gas industry, several witnesses told the House Small Business Subcommittee on Energy, Environment and Safety Issues Affecting Small Business.

The subcommittee, chaired by Congressman Charles Stenholm, a Texas Democrat, held a field hearing at South Gate City Hall to discuss congressional moratoriums on the federal government's offshore leasing program and their impact on the small business community. The subcommittee planned to hold a similar hearing in Houston on April 11.

"I personally believe that our country must strive to become more energy self-sufficient," declared Robert Stringfield, president of Fullerton Manufacturing Company. "It appears to me that the enactment of moratoriums on areas of high oil and gas potential is unwise. Not only do they directly affect countless businesses and jobs, but they also take us one step closer toward future energy shortages."

Stringfield said his company recently laid off dozens of employees as a direct result of cutbacks in offshore development activity.

Minority businessmen and representatives of minority business groups told the subcommittee that expanded offshore development in California would create new jobs and new business opportunities for the state's growing population of Blacks and Hispanics.

Continued development of offshore energy resources will provide new jobs for Hispanic workers and new contracts for Hispanic businesses, according to Larry Lopez, executive vice president of the California Hispanic Chambers of Commerce. "In 1981 alone, major U.S. oil companies purchased close to $500 million worth of goods and services from minority businesses, many of them Hispanic," said Lopez. "We must keep energy development dollars in America rather than spending them overseas."

In 1984, the United States had a $123 billion trade deficit. More than half of last year's trade deficit was the result of oil and gas imports -- to the tune of $62.3 billion.

"Environmentally safe development of American offshore energy resources can play a significant role in preserving American economic security," said Wes Bisgaard, a farmer from the Imperial Valley and official spokesman for the California Farm Bureau Federation.

For four consecutive years, Congress has imposed moratoriums on millions of acres of oil and gas-rich offshore territory along the U.S. coastline, including much of California. The House Appropriations Interior Subcommittee currently is considering extending the leasing ban for another year.

In the last year, many California organizations and elected officials have become concerned about the control a few coastal interests are exercising over the federal Outer Continental Shelf. The coalition is made up of elected officials, cities, farmers, tourism and recreation associations, chambers of commerce, and leaders of Black, Hispanic, senior citizen, and women's organizations.

Other coalition witnesses testifying at the hearing included: Ruben Jauregui, president of the Energy Group, Inc./Western Pacificia International; Gene Hale, president of G & C Equipment Corporation and chairman of the Black Business Association of Los Angeles; Anita Del Rio, vice president, Far West Region, League of United Latin American Citizens; South Gate Mayor Herbert W. Cranton; Jake Alarid, former national chairman of the American G. I. Forum; and Claire Da Re, legislative director of the Northern California Marine Association.

PREPARED STATEMENT OF HON. TOM LANTOS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, I am delighted to have this opportunity to testify before you on an issue of critical importance to the people of California -- and of particular interest to the people of San Mateo County whom I represent.

The development of leasing proposals for offshore drilling has reached a crucial juncture. This committee has recognized the importance of this matter during the past four years, and I wish to express thanks to you personally, Mr. Chairman, for your interest and your concern.

I must once again seek your help. We have now been presented with new draft regulations from the Department of Interior issued by Secretary Hodel. I had hoped that our new Secretary of the Interior would show greater understanding for the concerns of California. Unfortunately, the recently released proposals are a severe disappointment. Again this Administration has displayed a remarkable lack of sensitivity in its offshore leasing program. The new leadership at Interior is not departing from the policies pursued by former Secretary James Watt, under whose leadership we were subjected to massive acceleration of leasing -- in clear violation of Congressional intent.

Secretary Hodel's claim that this draft program "reflects Interior's desire to resolve environmental and other conflicts early in the leasing process through consultation with the states and other affected parties" is not accurate. Despite the frequently expressed concern of the California Congressional delegation, House members from California were never consulted about these proposals in a meaningful way, and we are confronted now by a program which fails to meet our basic requirements. The Interior Department program does make provision to exclude environmentally sensitive areas, but there is no assurance that these areas will actually be excluded. In fact, areas formerly placed off limits by this very committee are once again included in the leasing proposals, and these tracts could be available for lease as early as 1987 or 1989.

I cannot accept Secretary Hodel's claim that the rate of development of our offshore resources has been effectively slowed. Although the proposals apparently cut the number of lease sales from one sale every two years to one sale every three years, the regulations provide flexibility for the Secretary to accelerate sales in ares of "higher value and/or higher interest." There is little doubt that Secretary Watt's intentions have been preserved.

Area-wide lease sales -- a policy first introduced by Secretary Watt -- mean that vast tracts of the Outer Continental Shelf are up for sale with little or no regard for their resource potential. This policy was designed to open up as many off-shore areas as possible. Consequently, there is not adequate opportunity for proper assessment of the environmental and economic impacts of leasing specific tracts. Many coastal states, including California, have called for an end to this system, and a return to the "tract nomination" process previously followed. Congress has already recognized the inadequacies of area-wide leasing through its enactment of the moratoria.

It is very clear, Mr. Chairman, that we have no alternative but to call for extension of the Congressionally-imposed moratoria on certain environmentally sensitive areas, including the Northern California Coast.

The incomparable Northern California coastline is unique, both in its spectacular geography as well as its environmental interest. If Secretary Hodel has any doubt, let me repeat the offer which I and a number of my colleagues have already made: We welcome the opportunity to show him -- and any member of this committee -- the superb California coastline to demonstrate how it would be affected by offshore drilling.

The magnificent San Mateo Country coast, which is near tracts available for lease, would be particularly susceptible to damage from oil spillage. The rocky inner tidal zone and the estuaries make it virtually impossible for oil to escape once washed towards the coast. In addition, the coast waters provide habitat for many sensitive marine species for whom any oil leakage would be disastrous. It is critical that leasing not be permitted in this region.

Offshore drilling would also prove disastrous to California's $16 billion tourist and fishing industries. Not only would the visual pollution of offshore oil platforms be a major deterrent to visitors, but there would be extensive onshore dislocation. Even during the exploratory stage, permanent service bases would have to be established, which would include expanded docks, warehouses, open storage areas, facilities for servicing derrick barges and tugs, and helipads. These developments would transform and degrade the Northern California coastline.

In addition to the evident environmental hazards of the Interior Department's leasing program, as a professional economist, I find the area-wide leasing program to be economically unsound. Lease sales under this program have invariably yielded smaller average bids per tract because oil and gas companies do not have to compete for a limited number of tracts with defined resource potential. Frequently, they are leased to single bidders at bargain basement prices. The program is designed for the benefit of big oil companies, with little or no regard for the public interest.

Mr. Chairman, there is no economic justification for launching headlong into this massive offshore program. Domestic energy demand is slackening, and even the oil industry has only qualified enthusiasm for the extensive Interior Department program. Of the 265 million acres offered since the areawide leasing process first went into effect, industry has only leased 13 million acres. In the case of the North Atlantic lease sale held last year, not a single industry bid was filed for any of the tracts offered. The lack of interest forced the Department of the Interior to cancel or postpone indefinitely five areawide sales.

In short, Mr. Chairman, the proposed leasing program does not have adequate environmental guartantees. In Northern California, the program is threatening an area of unparalleled natural beauty. Furthermore, the Interior Department proposal is highly questionable in economic terms. We must not permit these regulations irreversibly to affect these unique coastal areas.

I urge you to extend the Outer Continental Shelf leasing moratoria.

Prepared Statement of Hon. Mel Levine, a Representative in Congress From the State of California

MR. CHAIRMAN, I VERY MUCH APPRECIATE THE OPPORTUNITY TO SUBMIT THIS STATEMENT EXPRESSING MY VIEWS AND CONCERNS REGARDING THE IMPACT OF OCS LEASING ON THE BUSINESS COMMUNITY FOR INCLUSION IN YOUR SUBCOMMITTEE'S HEARING RECORD. FROM TIME TO TIME IN MY STATEMENT I WILL REFER TO TESTIMONY I RECEIVED WHEN I CHAIRED HEARINGS ON OFFSHORE OIL DRILLING ON BEHALF OF THE GOVERNMENT OPERATIONS' SUBCOMMITTEE ON ENERGY, ENVIRONMENT AND NATURAL RESOURCES IN OCTOBER OF 1984.

THERE IS PROBABLY NO ISSUE OF GREATER IMPORTANCE TO MY DISTRICT THAN PRESERVING THE SANTA MONICA BAY FROM OFFSHORE OIL DRILLING. MY DISTRICT INCLUDES 50 MILES OF SOUTHERN CALIFORNIA'S MOST BEAUTIFUL AND PRECIOUS COASTLINE. OVER 60 MILLION PEOPLE VISIT LOS ANGELES COUNTY BEACHES EACH YEAR.

ECONOMIC LOSSES AMOUNTING TO HUNDREDS OF MILLIONS OF DOLLARS WOULD BE SUFFERED AS A RESULT OF DRILLING IN THE BAY. THESE COSTS INCLUDE LOSS OF BEACH USE, LOSS OF TOURISM, LOSS OF TOURIST TAXES, DIMINUTION OF PROPERTY VALUES AND LOSS OF PROPERTY TAXES. SANTA MONICA BEACH IS THE MOST HEAVILY UTILIZED BEACH IN LOS ANGELES COUNTY, WITH ALMOST 20 MILLION VISITORS A YEAR.

IN ADDITION TO THE BEACH ITSELF, THE SANTA MONICA PIER, PALISADES

PARK, HOTELS AND MOTELS, RESTAURANTS AND SHOPPING FACILITIES DRAW HUGE NUMBERS OF VISITORS TO THE AREA. THESE FACILITIES ARE IMPORTANT CONTRIBUTORS TO THE LOCAL ECONOMY. THE SANTA MONICA STATISTICS WHICH FOLLOW WERE PROVIDED AT THE HEARINGS I REFERRED TO EARLIER BY FORMER SANTA MONICA MAYOR KEN EDWARDS.

THE SANTA MONICA CONVENTION AND VISITORS BUREAU COMMISSIONED A STUDY BY PANNELL KERR FORESTER TO ESTABLISH THE ECONOMIC IMPACT OF TOURISM ON ITS CITY. THE STUDY FOUND THAT TOURISM IS A DIVERSIFIED MULTI-MILLION DOLLAR INDUSTRY IN SANTA MONICA. TOTAL DIRECT VISITOR SPENDING IS ESTIMATED AT $207,000,000, WHICH IS AN AVERAGE OF $567,000 PER DAY. IN 1983, 2,870,000 PEOPLE VISITED SANTA MONICA, STAYED AN AVERAGE OF 2.29 DAYS AND EACH PERSON SPENT APPROXIMATELY $31.54 DAILY. VISITOR INFORMATION CENTER RECORDS AT PALISADES PARK INDICATE THAT VISITORS CAME FROM ALL 50 STATES AND FROM MORE THAN 80 COUNTRIES.

THE TOTAL TAXABLE VISITOR SPENDING IN SANTA MONICA IS $195,900,000, AND THE ESTIMATED TAX REVENUE TO SANTA MONICA IS $2,824,000. FOR EACH DOLLAR A VISITOR SPENDS IN SANTA MONICA, 1.34 CENTS GOES DIRECTLY TO THE CITY.

ALTHOUGH IT IS DIFFICULT TO DETERMINE THE EXACT NUMBER OF JOBS WHICH ARE DIRECTLY PRODUCED BY TOURISM IN SANTA MONICA, THE HOTEL AND MOTEL INDUSTRY, EATING AND DRINKING ESTABLISHMENTS, GAS STATIONS, FOOD STORES, SHOPPING AREAS, CAR RENTALS AND RECREATIONAL BOATING INDUSTRY ALL BENEFIT FROM INCREASED TOURISM. A VERY LARGE PART OF THE JOBS WITHIN THE TRAVEL INDUSTRY ARE IN THE SERVICE INDUSTRY CATEGORY. SINCE TOURISM IS A LABOR-INTENSIVE INDUSTRY, LARGE NUMBERS OF TEENAGERS, FEMALE HEADS OF HOUSEHOLDS, MINORITIES AND THE ELDERLY, MANY OF WHOM MIGHT HAVE FEW OR LIMITED SPECIALIZED SKILLS, EXPERIENCE OR EDUCATIONAL BACKGROUND, ARE HIRED.

THE STUDY ALSO SHOWED THAT 64% OF VISITORS GO TO THE BEACH AND 53% SIGHTSEE, INDICATING THAT THE RESOURCES OF THE BEACH AND SANTA MONICA BAY ARE A MAJOR PART OF SANTA MONICA'S ATTRACTION FOR VISITORS. OIL DRILLING PLATFORMS IN THE BAY WOULD NOT ONLY NEGATIVELY AFFECT TOURISTS' AESTHETIC EXPERIENCE OF THE CITY, BUT WOULD ALSO LEAD TO POTENTIAL HARMFUL EFFECTS FROM OIL SPILLS, AIR POLLUTION, AND DAMAGE TO THE BAY'S MARINE ENVIRONMENT. IT IS LIKELY THAT SANTA MONICA'S ATTRACTION TO VISITORS WOULD BE DIMINISHED, AND THE LOCAL ECONOMY BADLY DISRUPTED.

AN OIL SPILL, OR THE PRESENCE OF OIL DRILLING EQUIPMENT, WOULD HAVE A TERRIBLE IMPACT ON THE BOATING INDUSTRY, WHICH CURRENTLY BOASTS A REGISTRATION OF MORE THAN 100,000 PLEASURE CRAFT IN LOS ANGELES. IN ADDITION, A SPILL WOULD SERIOUSLY THREATEN OUR COMMERCIAL FISHING INDUSTRY. MILLIONS OF DOLLARS OF REVENUE ARE ACCRUED THROUGH FISHING IN THE PORTS OF SAN PEDRO AND TERMINAL ISLAND ALONE. FISH SUCH AS THE PACIFIC BONITA, THE JACK MACKERAL AND OTHERS THAT LIVE NEAR THE SURFACE OF THE WATER WOULD LIKELY BE DEVASTATED BY A SPILL. EVEN ABSENT A SPILL, THE FISHING INDUSTRY WOULD BE HURT BY THE PRESENCE OF SUBSURFACE STRUCTURES AND EXPLORATION VESSELS.

THE NEGATIVE IMPACT OF OFFSHORE OIL DRILLING ON AIR QUALITY IN THE LOS ANGELES BASIN COULD ALSO HAVE A SIGNIFICANT IMPACT ON JOBS. AS I'M SURE YOU KNOW, LOS ANGELES COUNTY SUFFERS FROM SOME OF THE WORST SMOG EPISODES IN THE COUNTRY. WE ARE STRUGGLING TO PROTECT PUBLIC HEALTH AND TO ATTAIN AMBIENT AIR QUALITY STANDARDS. ACCORDING TO DR. LARRY BERG OF THE SOUTH COAST AIR QUALITY

MANAGEMENT DISTRICT (SCAQMD), OUR AREA CURRENTLY EXCEEDS THE FEDERAL STANDARD FOR OZONE IN THE SOUTH COAST BASIN ONE OUT OF EVERY THREE DAYS OF THE YEAR, OR ONE-THIRD OF THE TIME.

THE BASIN IS LOCATED INSIDE THE RIM OF HIGH MOUNTAINS THAT RISE TO AN ALTITUDE GREATER THAN 11,000 FEET. ON MOST DAYS, THE WIND FLOW IS FROM WEST TO EAST, FROM THE OCEAN TO SHORE. THIS GEOGRAPHY, COUPLED WITH CHARACTERISTIC BRIGHT SUNSHINE AND LOW AVERAGE WIND SPEEDS AND FREQUENT TEMPERATURE INVERSIONS, RESULTS IN A VERY LIMITED ABILITY TO DISPERSE EMISSIONS FROM OUR DENSELY POPULATED INDUSTRIALIZED REGION.

THE CLEAN AIR ACT AND THE CALIFORNIA STATE HEALTH AND SAFETY CODE MANDATE THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT TO ACHIEVE AND MAINTAIN FEDERAL AND STATE AIR QUALITY STANDARDS AT THE EARLIEST POSSIBLE DATE BY APPLICATION OF THE BEST AVAILABLE TECHNOLOGICAL AND ADMINISTRATIVE PRACTICES. THE CLEAN AIR ACT REQUIRES THE SUBMISSION OF A PLAN DEMONSTRATING ATTAINMENT OF THE FEDERAL OZONE STANDARD BY 1987. FAILURE TO SUBMIT AN ADEQUATE PLAN SUBJECTS THIS AREA TO THE POSSIBLE IMPOSITION OF ECONOMIC SANCTIONS.

THE RESULTS OF OCS DEVELOPMENT WOULD BE A NET INCREASE IN EMISSIONS THAT WILL MAKE IT MORE DIFFICULT, IF NOT IMPOSSIBLE, FOR THE AREA TO ATTAIN AIR QUALITY STANDARDS. THERE WILL BE INCREASED EMISSIONS FROM PRODUCTION AND TRANSPORT OF THE CRUDE WHETHER IT IS BY PIPELINE OR TANKER TO THE REFINERY AREA AS WELL AS FROM THE OFFSHORE DRILLING OPERATIONS THEMSELVES. EMISSIONS FROM BEYOND THE THREE-MILE LIMIT WILL BE BLOWN ASHORE BY THE PREVAILING WINDS AND WILL ADD TO THE ALREADY HEAVILY POLLUTED AREA.

SANFORD WEISS, DIRECTOR OF ENGINEERING FOR THE SCAQMD, HAS TESTIFIED THAT OFFSHORE DRILLING FROM THREE PLATFORMS WITH SEVERAL

HUNDRED WELLS WOULD PRODUCE EMISSIONS EQUIVALENT TO 2-3 MILLION MOTOR VEHICLES DRIVING IN THE LOS ANGELES BASIN DAILY. CURRENTLY, ABOUT 5 MILLION MOTOR VEHICLES DRIVE IN THAT AREA EACH DAY, SO WE ARE TALKING ABOUT HALF AS MUCH ADDITIONAL POLLUTION ON TOP OF THAT WHICH ALREADY OCCURS IN THE BASIN.

SETTING ASIDE THE OBVIOUS NEGATIVE IMPACTS THIS INCREASED POLLUTION WILL HAVE ON HUMAN HEALTH, FOR THE PURPOSES OF THIS HEARING, IT IS VERY POSSIBLE THAT IN ORDER FOR THE AREA TO MEET REQUIRED AIR STANDARDS AND AVOID ECONOMIC SANCTIONS, CURRENT ONSHORE EMISSIONS WILL HAVE TO BE CURTAILED. THAT MEANS THAT THOSE ONSHORE PRODUCERS OF POLLUTION WILL HAVE TO BE REVIEWED, REEVALUATED AND, IN THE WORST CASES, CUT BACK OR ELIMINATED.

NOW I WOULD LIKE TO ADDRESS THE BROADER JOBS QUESTION. I'M SURE THE SUBCOMMITTEE HAS HEARD THAT LEASING MORATORIA IMPOSES DIRE THREATS TO OUR NATION'S ENERGY FUTURE AND ECONOMIC SECURITY AND, IN PARTICULAR, TO THE JOB MARKET. LET ME FIRST SAY THAT I STRONGLY SUPPORT DECREASING OUR DEPENDENCE ON FOREIGN SOURCES OF OIL. I AM NOT AGAINST OFFSHORE OIL DRILLING, BUT, AS I HAVE INDICATED TIME AND AGAIN TO INTERIOR SECRETARIES CLARK AND HODEL, WHEN WE'RE CONSIDERING SUCH A WIDE LEASING AREA, THERE SHOULD BE SPECIAL CONSIDERATION GIVEN TO THOSE AREAS WHERE THE NEGATIVE IMPACTS ON LOCAL ECONOMIES AND THE ENVIRONMENT OUTWEIGH THE BENEFITS OF THE POTENTIAL ENERGY TO BE OBTAINED. I AM HOPEFUL THAT THE DIALOGUE SECRETARY HODEL AND I HAVE BEGUN WILL CONTINUE IN EARNEST AND THAT IT WILL RESULT IN PRUDENT DECISIONS.

REGARDING JOBS, THE LEASING MORATORIA HAS BEEN IN PLACE SINCE 1982. SINCE THEN, THE ECONOMY HAS IMPROVED, UNEMPLOYMENT IS DOWN, OIL

PRICES ARE DOWN, LEASING IS UP, DRILLING IS UP, AND RIG UTILIZATION IS UP. OFFSHORE OIL PRODUCTION REVERSED A DECADE-LONG DOWNWARD TREND IN 1981 AND CONTINUED TO RISE THROUGH 1982 AND 1983. THIS HAS TAKEN PLACE WITH THE LEASING MORATORIA IN EFFECT AND PROVIDING PROTECTION FOR HIGHLY SENSITIVE AREAS.

THE OIL ESTIMATED TO BE IN THE AREAS COVERED BY THE MORATORIA AMOUNTS TO ONLY 8% OF THE NATION'S TOTAL ESTIMATED OCS HYDROCARBON RESERVE, AND ONLY 6% OF THE TOTAL U.S. OCS ACREAGE ELIGIBLE TO BE LEASED. BECAUSE THE OIL AND GAS PROJECTED TO LIE IN THE LEASING MORATORIA AREAS IS ONLY 4.8% OF THE NATION'S TOTAL PROVEN ONSHORE AND OFFSHORE RESERVES, THE INFLUENCE OF THIS OIL ON FUTURE PRICES, THE ECONOMY AND JOBS IS NEGLIGIBLE. LIFTING THE MORATORIA WILL NOT APPRECIABLY AFFECT EMPLOYMENT OTHER THAN IMPACTING NEGATIVELY ON THE TOURIST AND FISHING INDUSTRIES.

I AM ESPECIALLY DISTURBED THAT THE OIL DRILLING INDUSTRY HAS CHOSEN TO SINGLE OUT MINORITY EMPLOYMENT AS BEING HARMED BY RESTRICTIONS ON DRILLING. THE VERY SMALL AMOUNT OF OIL IN THE MORATORIA AREAS HAS ALMOST NO EFFECT AT ALL ON MINORITY JOBS.

IT IS IMPORTANT TO FOCUS FOR A MOMENT ON THE OIL DRILLING INDUSTRY'S RECORD IN THIS REGARD. ACCORDING TO DEPARTMENT OF LABOR STATISTICS, IN 1984 ONLY 4.3% OF THE CRUDE OIL AND NATURAL GAS EXTRACTION INDUSTRY WORK FORCE WAS BLACK, COMPARED TO 8.9% IN THE FISHING INDUSTRY AND 9.6% IN ALL EMPLOYMENT CATEGORIES. AND, THE INTERNATIONAL TRADE COMMISSION HAS REPORTED THAT OF 10 PLATFORMS TO BE USED OFF THE WEST COAST THAT HAVE BEEN PUT OUT TO BID SINCE 1979, ONLY ONE HAS BEEN AWARDED TO A DOMESTIC FABRICATOR. SINCE PLATFORM CONSTRUCTION IS UNUSUALLY LABOR INTENSIVE, THIS PRACTICE OF AWARDING

CONTRACTS FOR PLATFORMS TO FOREIGN SUPPLIERS HAS SERIOUS IMPLICATIONS FOR DOMESTIC EMPLOYMENT.

I WAS SHOCKED TO LEARN THAT THE OFFSHORE OPERATORS COMMITTEE (OOC), AN INDUSTRY TRADE GROUP MADE UP OF MOST OF THE OIL AND GAS EXPLORATION AND PRODUCTION OPERATIONS IN THE FEDERAL OCS REGIONS OF THE GULF OF MEXICO AND THE ATLANTIC OCEAN, FILED COMMENTS WITH THE INTERIOR DEPARTMENT'S MINERALS MANAGEMENT SERVICE (MMS) IN OPPOSITION TO PROPOSED AGENCY REGULATIONS PROMOTING AFFIRMATIVE ACTION IN OUTER CONTINENTAL SHELF CONTRACTING. AS YOU MAY KNOW, THE CARTER ADMINISTRATION HAD PROPOSED AFFIRMATIVE ACTION REGULATIONS WHICH WERE SUBSEQUENTLY WITHDRAWN BY FORMER SECRETARY WATT. IN ITS NOVEMBER 1984 LETTER, THE OOC EXPRESSED ITS SATISFACTION WITH SECRETARY WATT'S RESCISSION OF THE RULE, AND ITS OBJECTION TO THE NEW PROPOSED WATERED-DOWN ANTI-DISCRIMINATION REGULATIONS PROPOSED BY MMS.

THE OIL AND GAS DRILLING INDUSTRY POINTS TO MINORITY EMPLOYMENT AS BEING HURT BY MORATORIA, WHILE, AT THE SAME TIME, IT OPPOSES AFFIRMATIVE ACTION REGULATIONS FOR ITS CONTRACTORS AND SUBCONTRACTORS. ATTACHED IS A COPY OF THE OOC LETTER EXPRESSING ITS OPPOSITION TO THE PROPOSED RULE.

MR. CHAIRMAN, I HAVE TRIED TO LIMIT MY REMARKS TO JOBS AND THE ECONOMY. I HAVE NOT SCRATCHED THE SURFACE AS TO THE MANY OTHER SIGNIFICANT REASONS TO PREVENT OFFSHORE OIL DRILLING IN SANTA MONICA BAY. THE INTERIOR DEPARTMENT UNDER SECRETARY CLARK INDICATED A WILLINGNESS TO HAVE AN ONGOING DIALOGUE WITH REPRESENTATIVES LEON PANETTA, BILL LOWERY AND ME TO SEE IF WE COULD REACH A LONG-TERM SOLUTION FOR THOSE AREAS CURRENTLY CONTAINED IN THE CONGRESSIONAL

MORATORIA. HOWEVER, ALTHOUGH WE PROVIDED THE SECRETARY AND HIS STAFF WITH TIMELY INFORMATION AND BACKGROUND MATERIALS, THE INTERIOR DEPARTMENT LET THE MATTER DROP. I STRONGLY BELIEVE THAT SUCH DISCUSSIONS COULD PROVE BENEFICIAL, AND SECRETARY HODEL HAS EXPRESSED A DESIRE TO PARTICIPATE. BUT UNTIL THERE IS AN ASSURANCE THAT SUCH NEGOTIATIONS WILL TAKE PLACE IN THE SPIRIT OF GOOD FAITH, AS DIRECTED BY THE FY1985 INTERIOR APPROPRIATIONS BILL, THE CURRENT MORATORIA PROTECTING ENVIRONMENTAL, ECONOMIC AND MILITARILY SENSITIVE COASTAL AREAS MUST BE CONTINUED.

THANK YOU AGAIN FOR GIVING ME THE OPPORTUNITY TO PARTICIPATE IN YOUR HEARING.

OFFSHORE
OPERATORS
COMMITTEE

H. E. COLLIER, CHAIRMAN
P. O. BOX 60626
NEW ORLEANS, LA 70160

J. A. BABIN, VICE CHAIRMAN
P. O. BOX 61933
NEW ORLEANS, LOUISIANA 70161

J. R. MACGREGOR, SECRETARY/TREASURER
P. O. BOX 61780
NEW ORLEANS, LA 70161

Certified Mail

November 16, 1984

Department of the Interior
Minerals Management Service
12203 Sunrise Valley Drive
Mail Stop 64F
Reston, Virginia 22091

Attention: Mr. David A. Schuenke

Dear Mr. Schuenke:

The Offshore Operators Committee (OOC), whose membership conducts most of the oil and gas exploration and production operations in the federal OCS regions of the Gulf of Mexico and the Atlantic Ocean, appreciates the opportunity to provide comments on the October 29, 1984 proposed rule entitled "Nondiscrimination in Outer Continental Shelf Contracting," 30 CFR 250.210-216. The position expressed herein does not prejudice any OOC members' right to have or express different views.

The OOC is pleased that the preamble to the proposed rulemaking acknowledges the many voluntary industry programs that have effectively increased participation of minority owned and women owned businesses in OCS work. The OOC, like the Department of Interior, knows of no unlawful discrimination based on race, creed, color, national origin, or sex occurring in OCS related contracts or subcontracts.

The preamble to the proposed rulemaking does not recite the history of the proposal, enactment and subsequent recision of Interior's rule for "Non-Discrimination Against Minority and Women-Owned Business Enterprises in Outer Continental Shelf Leasing Activities," 43 CFR Part 35 (rescinded on September 16, 1981, 46 FR 45951). The OOC believes in the continuing validity of the statement issued by the Secretary in the proposal to rescind that rule as set out in the Federal Register of June 4, 1981 (46 FR 29955). There the Secretary stated he ". . . has determined that existing programs and federal regulatory requirements are sufficient to meet his affirmative action responsibilities [under Sec. 604 of the OCS Lands Act Amendments of 1978]." For that reason and because of past and current industry practice of nondiscrimination, the OOC is convinced that the MMS policy and goal of no unlawful discrimination in OCS contracting and subcontracting can be and are being achieved without the need for any additional government regulations—even those currently being proposed.

If, however, Interior believes some additional regulations on this subject are necessary, [illegible] proposed in the October 19, 1984 Federal Register are, in our view, preferable to those originally adopted in December 30, 1980 and rescinded September 16, 1981 since the present proposal eliminates the affirmative action program with its attendant significant administrative burdens.

Very truly yours,

HECollier
H. E. Collier, Chairman
Offshore Operators Committee

RECEIVED
11/26/84
jr

Prepared Statement of Robert Stringfield, President, Fullerton Manufacturing Co.

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, MY NAME IS BOB STRINGFIELD. I AM PRESIDENT OF THE FULLERTON MANUFACTURING COMPANY IN ORANGE COUNTY, CALIFORNIA.

THE COMPANY WAS FOUNDED BY MY FATHER IN 1946 WITH TEN STOCKHOLDERS. SINCE THAT TIME, WE HAVE SLOWLY GROWN BEYOND A FAMILY BUSINESS. WE MANUFACTURE A VARIETY OF MOLDED RUBBER PRODUCTS, FROM TOYS TO PARTS FOR MANY INDUSTRIAL USES.

UP TO 40 PERCENT OF OUR BUSINESS FORMERLY WAS PRODUCING MOLDED RUBBER GOODS FOR THE OFFSHORE AND ONSHORE OIL INDUSTRY. WE SUPPLIED IMPORTANT PARTS FOR BLOWOUT PREVENTERS, GASKETS AND SEALS, PACKERS, WEAR RINGS AND O-RINGS.

BUT THAT CHANGED. DROPS IN THE PRICE OF OIL AND A LACK OF NEW EXPLORATION SITES FORCED HUGE CUTBACKS IN THE OIL INDUSTRY, AND AMONG ITS SUPPLIERS.

MR. CHAIRMAN, I AM A RUBBER MOLDER; NOT AN OIL TOOL DESIGNER OR ENGINEER. I DO NOT TELL THEM WHERE TO DRILL OR HOW TO DRILL, OR EVEN IF THEY SHOULD BE DRILLING. THAT IS UP TO MY PROSPECTIVE CUSTOMERS. WHAT I DO KNOW IS THIS: WE EMPLOYED 80 PEOPLE IN 1982. WHEN CUTBACKS HIT THE OIL INDUSTRY, WE WERE FORCED TO CLOSE ONE OF OUR TWO PLANTS. FORTY TO FIFTY PEOPLE HAD TO BE LAID OFF. THIS WAS VERY DIFFICULT, AND I AM SURE IT GRAVELY AFFECTED MANY FAMILIES. MOST OF OUR EMPLOYEES ARE ASIANS AND

HISPANICS, AND HARD WORKERS THAT WE HATED TO LOSE. NOW WE EMPLOY THIRTY-FIVE.

WHEN OFFSHORE OIL DRILLING WAS CUT BACK IN CALIFORNIA, PEOPLE KNEW IT WOULD AFFECT THE OIL COMPANIES. NOBODY THOUGHT OF THE RUBBER INDUSTRY, BUT ALL OF US WERE HURT. ONE SOUTHERN CALIFORNIA RUBBER COMPANY DEPENDENT ON THE OIL DRILLING BUSINESS MOVED TO TEXAS. ANOTHER, A SUBSIDIARY OF A MAJOR CORPORATION, HAS THE SUPPORT OF THE PARENT TO KEEP THEM GOING. ANOTHER IS SMALLER, AND SURVIVES MAINLY ON ITS OTHER PRODUCT LINES. WE ARE HOLDING OUR OWN NOW WITH ONE PLANT STILL OPERATING. BUT THAT IS ALL THAT IS LEFT.

YET, SOUTHERN CALIFORNIA, AFTER THE WAR, HAD BEEN THE SECOND LARGEST RUBBER AND TIRE MANUFACTURING CENTER IN THE UNITED STATES.

MR. CHAIRMAN, AS I SAY, I DO NOT PROFESS TO BE AN EXPERT ON ENERGY OR DRILLING OR GEOLOGY. BUT I PERSONALLY BELIEVE THAT OUR COUNTRY MUST STRIVE TO BECOME MORE ENERGY SELF-SUFFICIENT.

IT APPEARS TO ME THAT THE ENACTMENT OF MORATORIUMS ON AREAS OF HIGH OIL AND GAS POTENTIAL IS UNWISE. NOT ONLY DO THEY DIRECTLY AFFECT COUNTLESS BUSINESSES AND JOBS, BUT THEY ALSO TAKE US ONE STEP CLOSER TOWARD FUTURE SHORTAGES. THIS IS THE STRONGLY HELD POSITION OF MY OWN CONGRESSMAN, MR. BILL DANNEMEYER, AS WELL AS MANY OTHER CONGRESSMEN, BOTH REPUBLICAN AND DEMOCRAT.

THANK YOU FOR THE OPPORTUNITY TO ADDRESS THIS SUBCOMMITTEE TODAY. I HOPE THAT YOU WILL SUPPORT OFFSHORE OIL AND GAS DEVELOPMENT, AND OPPOSE ALL MORATORIUMS AND SO HELP TO PROTECT OUR ECONOMY.

THANK YOU.

741 S FLOWER ST
LOS ANGELES CA 90017 19PM

Western Union Mailgram

1-024998A078006 03/19/85 ICS IPMLALD LSA WSHA
00415 MGM LOS ANGELES CA

CONGRESSMAN CHARLES W. STENHOLM
1232 LONGWORTH HOUSE OFFICE BLDG
WASHINGTON DC 20215

IN THE LAST YEAR, MANY CALIFORNIA ORGANIZATIONS AND ELECTED OFFICIALS HAVE BECOME CONCERNED ABOUT THE CONTROL A FEW COASTAL INTERESTS ARE EXERCISING OVER THE FEDERAL OUTER CONTINENTAL SHELF.

OUR MESSAGE IS: ENVIRONMENTALLY SAFE AND RESPONSIBLE DEVELOPMENT OF AMERICA'S OFFSHORE PETROLEUM RESOURCES IS VITAL FOR THIS NATION'S ENERGY FUTURE, NATIONAL SECURITY AND COLLECTIVE ECONOMIC GROWTH.

ALTHOUGH TODAY THERE IS A SURPLUS OF OIL IN THE WORLD, OIL PRODUCTION IN THE UNITED STATES IS DECLINING AND OIL IMPORTS ARE GROWING. BY 1990, EXPERTS SAY, THE UNITED STATES WILL BE MORE DEPENDENT ON OPEC OIL THAN EVER.

GIVEN THAT IT TAKES UP TO 15 YEARS TO DEVELOP AN OFFSHORE OIL FIELD, WE BELIEVE IT IS ESSENTIAL THAT THE DEPARTMENT OF THE INTERIOR'S OFFSHORE LEASING PROGRAM CONTINUE ON SCHEDULE.

WE URGE YOU NOT TO INCLUDE OFFSHORE LEASING MORATORIUMS IN THE DOI'S FISCAL YEAR 1986 BUDGET.

STATE SENATOR ED DAVIS
STATE SENATOR JIM NIELSEN
STATE SENATOR ED ROYCE
ASSEMBLYMAN BILL BRADLEY
ASSEMBLYMAN JIM COSTA
ASSEMBLYMAN GERALD N. FELANDO
ASSEMBLYMAN JOHN LEWIS
ASSEMBLYWOMAN CATHIE WRIGHT
MAYOR ALAN CATLIN, CITY OF FULLERTON
MAYOR HERBERT W. CRANTON, CITY OF SOUTH GATE
MAYOR BILL CUNNINGHAM, CITY OF HUNTINGTON PARK
MAYOR DAVID HANNAH, CITY OF ARCADIA
MAYOR DENNIS ORROCK, CITY OF VENTURA
MAYOR DORILL WRIGHT, CITY OF PORT HUENEME
COUNCILMAN FRANK GREINKE, CITY OF TUSTIN
COUNCILMAN JIM HAYES, CITY OF STANTON
COUNCILWOMAN LINDA LEQUIRE, CITY OF FULLERTON
COUNCILMAN DENNIS LOJESKI, CITY OF ARCADIA
COUNCILWOMAN PATTI LONGO, CITY OF VENTURA

COUNCILMAN JIM MAY, CITY OF SANTA MARIA
COUNCILMAN THOMAS MILLS, CITY OF CARSON
COUNCILMAN JAMES MONAHAN, CITY OF VENTURA
COUNCILMAN DON PELLEGRINO, CITY OF ARCADIA
COUNCILMAN LESTER REESE, CITY OF BUENA PARK
COUNCILMAN DANIEL TABOR, CITY OF INGLEWOOD
SUPERVISOR JOSEPH FLYNN, EL DORADO COUNTY BOARD OF SUPERVISORS
SUPERVISOR MARY K. SHELL, KERN COUNTY BOARD OF SUPERVISORS
SUPERVISOR ANNA SPARKS, HUMBOLDT COUNTY BOARD OF SUPERVISORS
ROBERT CLARKE, HARBOR MASTER, CRESCENT CITY
SERGIO BANLELOS, PRESIDENT, CALIFORNIA HISPANIC CHAMBER OF COMMERCE
JAMES BARUCCA, EXECUTIVE DIRECTOR & VICE-PRESIDENT, GREATER VENTURA CHAMBER OF COMMERCE
HECTOR BARRETTO, PRESIDENT, U.S. HISPANIC CHAMBER OF COMMERCE
WESLEY BUSH, EXECUTIVE DIRECTOR, EL SEGUNDO CHAMBER OF COMMERCE
CLARENCE CHILDS, EXECUTIVE DIRECTOR, COMPTON CHAMBER OF COMMERCE
DALE DUNN, PRESIDENT, HUNTINGTON BEACH CHAMBER OF COMMERCE
PATRICIA MARLANDER, EXECUTIVE ADMINISTRATOR, RIDGECREST CHAMBER OF COMMERCE
JOHN MAY, PRESIDENT AND CEO, CALIFORNIA CHAMBER OF COMMERCE
MIKE PLISKY, PRESIDENT, OXNARD AREA CHAMBER OF COMMERCE
FRANK M. REID, EXECUTIVE VICE-PRESIDENT, FULLERTON CHAMBER OF COMMERCE
STEVEN RUBENSTEIN, PRESIDENT AND DIRECTOR, CONEJO VALLEY CHAMBER OF COMMERCE
TOM SAWYER, DIRECTOR, OXNARD AREA CHAMBER OF COMMERCE
NICK STRANGIO, PRESIDENT, PORT HUENEME CHAMBER OF COMMERCE
PHILIP WAGNER, EXECUTIVE DIRECTOR, MONTEBELLO CHAMBER OF COMMERCE
WILLIAM J. WOOD, EXECUTIVE VICE PRESIDENT, SAN BERNARDINO AREA CHAMBER OF COMMERCE
EDUARDO BERNALDEZ, PRESIDENT, AMERICAN G.I. FORUM
CLARENCE BROUSSARD, DIRECTOR, CENTURY FREEWAY AFFIRMATIVE ACTION COMMITTEE
MEDA CHAMBERLAIN, PRESIDENT, LOS ANGELES CHAPTER OF NATIONAL COUNCIL OF NEGRO WOMEN, INC.
DICK CONGER, DIRECTOR, VENTURA COUNTY TAXPAYERS ASSOCIATION
HANK CRUCKETT, PRESIDENT, VENTURA ECONOMIC DEVELOPMENT ASSOCIATION
MARGARET CRUZ, FORMER STATE PRESIDENT, MEXICAN-AMERICAN POLITICAL ASSOCIATION
REAR ADMIRAL WALTER "BUCK" DIETZEN, RETIRED
FIRMIN FEUERBORN, EXECUTIVE SECRETARY, BUILDING TRADES COUNCIL (SANTA BARBARA/SAN LUIS OBISPO)
PAUL GOLIN, DIRECTOR, CONSTITUENCY FOR PUBLIC AWARENESS
ZELDA KAISER, PRESIDENT, VENTURA COUNTY TAXPAYERS ASSOCIATION
CAROLYN LEAVEN, PRESIDENT, U.S. AGRI-WOMEN
ED LYON, PRESIDENT, CONSTITUENCY FOR PUBLIC AWARENESS
JOHN MACK, DIRECTOR, LOS ANGELES URBAN LEAGUE
BOB MOLLER, PRESIDENT, YOLO COUNTY FARM BUREAU
NANCY MORRIS, DIRECTOR, VENTURA ECONOMIC DEVELOPMENT ASSOCIATION
MARIO OBLEDO, NATIONAL DIRECTOR, LEAGUE OF UNITED LATIN AMERICAN CITIZENS
ESQ. KENNETH THOMAS, CHAIRMAN OF THE BOARD, LOS ANGELES SENTINEL

NEWSPAPER
BOB VICE, PAST PRESIDENT, SAN DIEGO FARM BUREAU, YOLO COUNTY FARM BUREAU
WARREN WHITE, EXECUTIVE DIRECTOR, TRI-AGENCY ECONOMIC AUTHORITY, CRESCENT CITY
CITY OF ANTIOCH
CITY OF ARCADIA
CITY OF COMPTON
CITY OF EUREKA
CITY OF FULLERTON
CITY OF PORT HUENEME
CITY OF STANTON
CITY OF VENTURA
EL DORADO COUNTY BOARD OF SUPERVISORS
CALIFORNIA CHAMBER OF COMMERCE
CENTRAL CALIFORNIA HISPANIC CHAMBER OF COMMERCE
COACHELLA VALLEY MEXICAN-AMERICAN CHAMBER OF COMMERCE
COMPTON LATINO CHAMBER OF COMMERCE
DOWNEY CHAMBER OF COMMERCE
EUREKA CHAMBER OF COMMERCE
FULLERTON CHAMBER OF COMMERCE
GREATER BAKERSFIELD CHAMBER OF COMMERCE
HUNGTINGTON BEACH CHAMBER OF COMMERCE
MERCED MEXICAN-AMERICAN CHAMBER OF COMMERCE
MONTEBELLO CHAMBER OF COMMERCE
MONTEREY PARK CHAMBER OF COMMERCE
OAKLAND CHAMBER OF COMMERCE
ORANGE COUNTY MEXICAN-AMERICAN CHAMBER OF COMMERCE
OXNARD AREA CHAMBER OF COMMERCE
PORT HUENEME CHAMBER OF COMMERCE
REDDING CHAMBER OF COMMERCE
RIDGECREST CHAMBER OF COMMERCE
RIVERSIDE HISPANIC CHAMBER OF COMMERCE
SACRAMENTO MEXICAN-AMERICAN CHAMBER OF COMMERCE
SAN BERNARDINO AREA CHAMBER OF COMMERCE
SAN BERNARDINO MEXICAN-AMERICAN CHAMBER OF COMMERCE
SAN JOSE MEXICAN-AMERICAN CHAMBER OF COMMERCE
SAN PEDRO PENINSULA CHAMBER OF COMMERCE
SOUTHERN ALAMEDA MEXICAN-AMERICAN CHAMBER OF COMMERCE
STANISLAUS COUNTY MEXICAN-AMERICAN CHAMBER OF COMMERCE
STOCKTON MEXICAN-AMERICAN CHAMBER OF COMMERCE
WOODLAND HISPANIC CHAMBER OF COMMERCE
U.S. HISPANIC CHAMBER OF COMMERCE
AGRICULTURAL COUNCIL OF CALIFORNIA
BLACK BUSINESS ASSOCIATION OF LOS ANGELES
CALIFORNIA CATTLEMEN'S ASSOCIATION
CALIFORNIA FARM BUREAU FEDERATION
CALIFORNIA HIGHWAY USER'S CONFERENCE
CALIFORNIA HOTEL AND MOTEL ASSOCIATION
CALIFORNIA LEAGUE OF FOOD PROCESSORS
CALIFORNIA MANUFACTURER'S ASSOCIATION
CALIFORNIA TRAVEL PARKS ASSOCIATION

Western Union Mailgram

CONCERNED ABOUT PETROLEUM
CONSTITUENCY FOR PUBLIC AWARENESS
FRESNO COUNTY FARM BUREAU
HOLLYWOOD/WILSHIRE COMMITTEE ON AGING
MARINA AND RECREATION ASSOCIATION
NAACP: HOLLYWOOD/BEVERLY HILLS CHAPTER
NAACP: WATTS CHAPTER
NORTHERN CALIFORNIA MARINE ASSOCIATION
SOUTHERN CALIFORNIA MARINE ASSOCIATION
WESTERN TIMBER ASSOCIATION
COUNCILMAN E. LLEWELLYN OVERHOLT JR., CITY OF ANAHEIM
AUGUST A. CAIRES, CITY ADMINISTOR, CITY OF SHAFTER

20:59 EST

MGMCOMP

Offshore Leasing Benefits: Everyone Gets a Slice of the Pie

By Paul K. Driessen

"Mention the benefits of offshore leasing," says Paul Kelly, vice president of the Rowan Companies, a Houston-based offshore drilling contractor, "and most people think of oil, gas and jobs in a few coastal states. A few might mention the bonuses companies pay to get leases.

"These are certainly major benefits. However, they are only a small part of the total picture." One of the most important unsung contributions of offshore exploration and production, according to Kelly, are the thousands of jobs created in inland states and communities that are far removed from the actual business of punching holes to find and pump oil.

"The raw materials and equipment that go into rigs, platforms, seismic vessels, pipelines, refineries and other facilities don't come just from Texas or Louisiana," Kelly stresses. "Many critical items come from places most people would never expect — Wisconsin, Michigan, Colorado, North Dakota, Utah and New Jersey, for example. Even my home state of Massachusetts, which has resisted every sale ever proposed off its coast, has jobs that depend on offshore oil and gas. Companies of all sizes are involved."

For instance, there is a shipyard in Marinette, Wisconsin that recently built one of the most sophisticated seismic vessels the world has ever seen. (Seismic operations help pinpoint subsurface structures that might hold oil or gas, by using sound waves and computers to paint three-dimensional pictures of rock formations far below the sea floor.) Other Wisconsin companies have produced special clothing, electrical equipment, cranes and structural steel components used in the construction of production platforms and a new drilling rig recently put into operation by the Rowan Companies.

Nor does the story end with jobs. According to William Bettenberg, director of the Minerals Management Service (MMS), which administers the federal government's Outer Continental Shelf (OCS) leasing program, "There are a number of other benefits that do not often bask in the limelight. For example, the state and federal offshore leasing programs generate royalty and tax revenues for the U.S. and state treasuries, improve national security, fund park and recreation programs, and even create artificial reefs that greatly improve fishing opportunities for sport and commercial fishermen."

Paul Driessen is an attorney-adviser and policy analyst for the Minerals Management Service, U.S. Department of Interior. He received his B.A. in geology and biology from Lawrence University in Appleton, Wisconsin, and a law degree from the University of Denver.

The seismic vessel vividly illustrates the breadth and depth of American industry's involvement in the offshore oil and gas business. When Shell Oil Company wanted to build a new seismic ship to survey the acreage being made available for exploration under the U.S. Interior Department's expanded offshore leasing program, it turned to the Marinette Marine shipyard in northeastern Wisconsin, near Lake Michigan and the St. Lawrence Seaway.

"We have extensive experience in building highly complex seagoing vessels and were very excited about the project," says Roger Derusha, president of the firm. "This was one of the first times an exploration company put the horse in front of the cart and did not simply load a lot of advanced electronics equipment aboard a converted fishing boat."

Jack Threet, Shell Oil Company's vice president for exploration, adds, "This ship and the equipment she carries will greatly enhance the seismic data gathering process for us. Named the 'Shell America' because it was built entirely in the United States, it was designed around the needs of the geophysicists and reflects the highest standards of American technological ingenuity and construction excellence. We hope to find a lot of oil with it."

The steel came from Bethlehem Steel in Burns Harbor, Indiana. Thousands of gallons of paint were manufactured by the International Paint Company in New Jersey. The diesel engines were built by General Motors in LaGrange, Illinois, the General Electric generators in Schenectady, New York. Two 13-foot propellers were built by Bird-Johnson in Walpole, Massachusetts.

Air guns used to generate sound waves and "geophones" to collect return signals came from Bellaire Technology Corporation in Norwalk, Connecticut. Sophisticated computer equipment used to filter out background noise and enhance and interpret data was developed and manufactured by Sperry Univac and several other companies in Texas, Rhode Island and Massachusetts. The highly detailed and technical maps used to plot and record transit lines come from Florida and California.

This story is repeated in the areas of rig and platform fabrication.

The Rowan Company's "Gorilla" series jackup drilling rigs, like the 600-pound gorilla in the old joke, can sit anywhere they want. As the name suggests, jackup rigs utilize a "rack and pinion" system to raise the drilling platform on steel legs to a safe height above the water. The Gorilla series is designed to drill wells up to 30,000 feet deep in water depths up to 350 feet in extremely hostile environments, including the Bering Sea.

The Gorilla rigs are enormous (over 500 feet tall and more than 30 million pounds), cost some $95 million apiece, require large amounts of specialty steel and are equipped with sleeping and cooking quarters for 84 crew members and with the latest in drilling, communications, survival and pollution control equipment.

Gorilla rigs 1 and 3 were built at a Marathon-LeTourneau Company facility in Vicksburg, Mississippi, "using materials and equipment gathered literally from every corner of the United States," says Clyde Wilson, president of the Vicksburg rig yard. The laundry list of components proves his point.

Structural steel plate was manufactured primarily by Bethlehem Steel in Burns Harbor, Indiana, tubular parts by U.S. Steel in Lorraine, Ohio. The specialized welding equipment needed to put them together came from three Ohio companies. Their paint and protective coatings were made in Union, New Jersey and San Francisco.

"The 'heart' of the rig is its power system," Wilson goes on. "It is made up of six huge diesel engines from Caterpillar of Illinois and a number of generators and motors from Detroit and King of Prussia, Pennsylvania. The rig's 'brain' is a room full of silicon controlled rectifiers, manufactured by GE in Salem, Virginia and used to control all the various electrical equipment onboard."

Heaters for the work and living areas came from North Dakota; Carrier air conditioners from Texas and Tennessee; lighting systems from New Jersey; winches from Seattle; fire control equipment from Cleveland, Ohio and Wake Forest, North Carolina; electrical equipment from Milwaukee; and high pressure rubber hoses from the Gates Rubber Company in Denver, Colorado and Lawrence, Kansas. A microwave telephone system was manufactured by the Hose McCann Telephone Company in Englewood, New Jersey. Two 50-person survival capsules (for emergency evacuation) were built by the Whittaker Corporation in LaMesa, California.

"It is important to remember, though, that drilling rig construction represents only a small part of the U.S. offshore business," says J. Ray McDermott Company's manager of business development, Jack Wiseman. "Where America really stands out — and where the jobs really are — is in the design and construction of the huge stationary production platforms used to develop the oil and gas fields.

"In this area, we, Brown and Root, and Avondale are among the world's leaders. We build dozens of platforms every year, many of them costing $50-300 million or more."

These platforms go to the Gulf of Mexico, California, Newfoundland, the North Sea, Alaska and the Far East. They are constructed in yards in Maryland, Mississippi, Texas, Louisiana, Alabama and California.

Wiseman emphasizes the large amounts of capital, raw materials, equipment and jobs that go into these structures. "In just the last 12 months," he notes, "our Marine Construction Division spent more than $200,000,000 on domestic purchases, the most significant part of which included steel, paint and welding rods.

"Our steel comes primarily from Texas and Pennsylvania, followed closely by Indiana, Alabama and Florida. Our paint is purchased almost exclusively from California, while the welding rods are all bought in Ohio. Cranes to hoist supplies and equipment on the platforms and in the fabrication yards come mostly from Wisconsin and Minnesota." Other materials come from all over the United States.

According to Wiseman, McDermott expects to build at least 15-20 structures just for the deepwater portions of the Gulf of Mexico (750 to 1,500 feet of water) during the next decade. Some of these structures, like Exxon's Lena platform, are as tall as the Empire State Building. "This effort will easily require over 30.5 million man-hours, which translates into a payroll well in excess of $300 million," he says.

Personnel employed by McDermott in its fabrication yards and on the offshore platforms actually reside in a number of states. Although most live in Gulf states, a significant number come from as far away as Hawaii, Indiana, Kentucky, New York, Oregon, Utah, Wisconsin and Wyoming, to earn good money in the offshore oil patch, before returning home.

"Of course, construction of these structures is only the beginning," observes Brown and Root's Ken Hicks, vice president of western hemisphere operations. "Once a structure is completed in the fabrication yard, it must be towed to the offshore site, where it is permanently fixed to the sea bottom and a deck, drilling and production equipment and other facilities are installed.

"This installation requires specialized marine construction equipment and highly trained and experienced personnel. One platform can take 200 skilled people three months to complete, once its components are moved offshore. Then it has to be maintained and supplied with a wide variety of materials and equipment, and this creates a whole new series of jobs."

Drill bits, drilling muds and special cements for both drilling rigs and production platforms come from California, Nevada, Wyoming, Oklahoma, Utah, Texas and Arkansas. Blowout prevention (BOP) stacks are built primarily in Texas and California, with Raytheon manufacturing many of the sophisticated BOP monitoring and control systems in Massachusetts and Rhode Island.

Drill pipe comes from a variety of sources in states like Oklahoma, Texas, California, Louisiana, Alabama and Utah. Pipeline quality pipe (which can be 20 to 56 inches in diameter) is produced by Brown and Root, McDermott and other companies from steel plate manufactured at U.S. Steel, Bethlehem and Kaiser Steel plants in California, Pennsylvania and a number of other states.

Crews and supplies are transported to and from the rigs by workboats and helicopters built in Connecticut, New York, Texas, Louisiana, Oregon, Washington and Alaska. Shoes, hard hats and special work clothes are manufactured in Tennessee, Wisconsin, Texas, Kentucky, Pennsylvania and Minnesota.

While a large number of states share in the employment and revenue benefits of offshore leasing, the benefits are naturally most pronounced, pervasive and obvious in states like Texas and Louisiana. Offshore oil and gas leasing has been called "a mainstay of the Louisiana economy." A 1983 study by Louisiana State University economics professor Loren C. Scott underscores why:

During 1981, offshore activities supported over 125,000 jobs in Louisiana and generated household earnings of over $1.8 billion, according to the study. Some 55 percent of those household earnings (about $1 billion) was generated in segments of the economy other than oil and gas.

Of these jobs, 41,800 were the direct result of efforts to find, extract and refine offshore oil and gas. An additional 83,500 "indirect" or "spin-off" jobs were created in a wide range of other sectors of the Louisiana economy, including: manufacturing, construction, maintenance and repair, resale and wholesale trade, teaching, utilities, hospitals, real estate, transportation and warehousing, insurance, "Po Boy" stands and restaurants.

In other words, each direct offshore job created two spin-off jobs in other parts of the Louisiana economy. Elsewhere, the indirect to direct job ratio can run as high as 4:1.

The total marketed value of oil and gas produced in state and federal waters off the Louisiana coast in 1981 was $19.1 billion. Onshore and offshore oil-related revenues (bonuses, rents, royalties and severance taxes) represented one-half of all the undedicated funds collected by the state in 1981. Corporate and employee income taxes related to oil and gas activities added to this revenue total.

In Texas, the story is similar. California — in addition to being the site of major offshore exploration and production activity, especially on state lands within three miles of the coast — has played a rather unique role in offshore oil and gas development.

Much of the world's technology for deep ocean drilling evolved there. California-based companies developed and produced revolutionary equipment for blowout prevention, radar and satellite navigation, directional drilling, marine geophysical surveys, computer enhancement and analysis of data, deepwater drilling and production, and pipe handling and laying in deep waters. Many of the special survival capsules used on rigs and platforms are also built there.

Californians also helped pioneer the "JIM" diving suits, diving saucers and other devices that permit scientific work and the installation and repair of oil and gas facilities at previously unheard of depths. Thousands have been employed in these programs — thousands more in the exploration, production, refining and transportation sectors of the offshore oil and gas business, including rig and platform construction.

Revenues from leasing programs in state waters off California, Texas, Alaska, Louisiana and Alabama go to the state and local governments. Except for tracts along the state-federal boundary, revenues generated from leasing on the federal Outer Continental Shelf further offshore go to the U.S. Treasury.

Those revenues are substantial. As Interior Secretary William Clark has observed, "The OCS leasing program ranks second only to the Internal Revenue Service as a source of income to the United States."

In Fiscal Year 1983, the federal program collected nearly $11.4 billion in bonuses, rents and royalties alone. Of these funds, over $10 billion went to the U.S. Treasury general fund, for allocation to a wide variety of defense and social programs. Since its inception in 1954, the OCS program has collected $68 billion in bonuses, rents and royalties.

Derrick A. Crandall, president of the American Recreation Coalition, emphasizes that, "Since 1964, OCS revenues have been used to purchase 5.6 million acres of local, state and federal parkland, endangered species habitats and recreation areas, through the Land and Water Conservation Fund (LWCF). That's a $6 billion federal investment in lands usable by hikers and campers, joggers and softball players, skiers and bicyclists, hunters, fishermen and birdwatchers — all made possible by offshore oil and gas activities."

Among the key areas that have been acquired under the LWCF program are portions of California's Point Reyes National Seashore, the Appalachian Trail, the Gateway and Cuyahoga National Recreation Areas in New York and Ohio, respectively, Redwoods National Park, several wild and scenic rivers and the Channel Islands Marine Sanctuary off the California coast. All together, some 1,600 acquisitions have been funded during the past 20 years.

In addition, over 30,000 baseball fields, trails, parks and other projects were completed at the state and local level, using LWCF money under a matching grant program. Examples include the Tahoe State Recreation Area in California, a major rehabilitation effort in New York City's Central Park and the Bong Recreation area, a 4,500-acre complex of campgrounds, picnic and boating facilities, trails and a winter sports area in Wisconsin.

Through the closely related Historic Preservation Fund, the federal offshore leasing program has aided in the acquisition or restoration of the Cahokia Indian Mounds in Illinois, historic storefront facades in Abbeyville, South Carolina, Frank Lloyd Wright's Taliesin home, workshop and retreat in Wisconsin, and thousands of other projects — some 6,300 overall. Today, the fund is used primarily to assist state historic preservation staffs and to maintain and expand the National Register of Historic Places.

At the government level, numerous career opportunities exist for landmen, geologists, geophysicists, petroleum engineers, biologists, accountants, pollution control experts, oceanographers, auditors, economists, computer experts and attorneys. The Minerals Management Service, Environmental Protection Agency and National Oceanic and Atmospheric Administration, as well as their various state counterparts, hire specialists like these (as do the oil companies, naturally).

MMS spends some $29 million a year ($370 million to date) on environmental studies. Under this program, it contracts with research scientists in universities and companies all over the country to conduct studies on biological, physical, chemical and geological processes and parameters in our oceans, the habits and habitats of endangered species and other marine creatures, socioeconomic issues, and the potential effects of offshore exploration and production.

Women, Alaska natives, other minorities and locals are finding increasing opportunities in the offshore oil patch in these fields and as truck drivers, rig fabricators, heavy equipment operators, welders, drilling rig crew members, pilots, and technical and support staff. The role of Black and Chicano-owned contractor and service companies is also growing.

These factors, and the danger of crisis-caused job losses and energy price increases, have been cited for the strong support the Watts NAACP and several Hispanic groups have given the offshore leasing program at congressional hearings during the past couple of years.

Because of offshore development, the town of Kenai, Alaska has a refinery, fertilizer plant and gas liquefaction plant, as well as dock and warehouse facilities, a new sewage treatment plant and oil field service businesses (clothing, food and equipment suppliers). All employ local natives.

Offshore oil and gas production platforms also function as artificial reefs. Their hard surfaces allow corals, sponges and algaes to grow, providing food, habitats and protection from predators, increasing both the number and diversity of fish and shellfish, and luring both sport and commercial fishermen.

During 1983, over 20,000 sport fishing boat trips were made to platforms in the Gulf of Mexico. Shrimpers trawl as closely as possible to pipeline trenches, as that is where the shrimp seem to congregate most heavily.

Charter boat captain Charlie Hardeston is blunt in his assessment of offshore oil and gas operations. "The best fishing holes in the Gulf are right off the platforms. Take away those platforms," he says, "and you take away our fish."

In California, Bob Meek harvests 2,000 pounds of mussels a week from platform legs, for sale to markets and restaurants. Tests by the U.S. Food and Drug Administration and California Public Health Department found that their meat contained fewer contaminants than did mussels harvested in Bodega Bay, California's cleanest bay — attesting to the effectiveness of modern pollution control regulations and equipment.

In Secretary Clark's view, a final — but vital — benefit is national security. "In 1983," he points out, "we bought the same amount of foreign oil as we did just before the 1973 OPEC embargo. Fifty-two billion dollars or three-fourths of our entire balance of trade deficit went for oil. That is equal to the combined 1982 net asset value of General Motors, Coca-Cola and Lockheed Aircraft.

"At this rate, in 25 years, we will have sent overseas enough money to buy all the top 500 industrial corporations in America. We simply cannot let this happen. We certainly cannot afford to let import levels continue to increase, even as our expanding economy creates a need for a lot more oil and gas."

Right now the United States produces about two-thirds of all the oil it consumes. Eleven percent of our oil (341 million barrels) and 24 percent of our natural gas (4 trillion cubic feet) in 1983 came from the Outer Continental Shelf. OCS production has been rising steadily over the past three years. However, repeated references to the supposed worldwide "glut" of oil are obscuring several serious domestic developments.

By 1995, production at Alaska's huge Prudhoe Bay field is expected to fall from the current 1.5 million barrels of oil per day to between 250,000 and 750,000 barrels. This decline is equivalent to three to six times as much oil as America lost in 1979, following the Iranian revolution, or to an increase of 22 to 35 percent above present oil import levels. Other fields, onshore and offshore, are also being depleted.

New fields obviously have to be found. In fact, the analysts say, America will have to find some 32 billion barrels of new oil reserves during the next 10 years, just to keep domestic production at its current level. Most experts believe over half of our future oil and gas supplies will come from offshore.

MMS Director Bettenberg underscores the need for exploration: "We simply cannot afford to have each barrel of oil we save through conservation or the switch to alternative sources of energy offset by further declines in domestic production. We must pursue a program of timely and environmentally sound exploration and development, to protect both our national security and economic well-being."

Both Bettenberg and Interior Secretary Clark recognize that many offshore oil and gas fields are being depleted, especially in state waters and nearshore areas, and that shifts will occur in the current economic picture, as exploration and production move into deeper waters, farther from shore, and into frontier areas like Alaska. However, they see this as nothing new or unusual.

"Ours is a highly dynamic, ever-changing economy," notes Bettenberg. "It's also one in which the resources, jobs and benefits are spread somewhat unevenly. Not everyone can have a Silicon Valley, Wall Street or steel industry. Neither can we expect that everyone will benefit equally from offshore leasing, or that the benefits will remain constant.

"In the middle of the nineteenth century, as the industrial revolution created new demands for lubricants and fuel, and as whale oil became scarcer and more expensive, America began to produce oil from the ground. Later, Congress passed the Interstate Pipeline Act, making natural gas economical to transport and use. Some jobs disappeared, but entirely new industries sprang up, creating thousands of new jobs.

"In the near future," he acknowledges, "some of the current picture will also change. For example, Louisiana will probably not get as much revenue from production on state tidelands, and America will begin switching to alternative sources of energy.

"However, this will not alter the fact that billions of dollars in benefits have poured into the state for decades, or that new activities in frontier ares will continue to provide jobs in shipyards, mills, refineries and numerous other industries in Louisiana and throughout the United States for many years to come."

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47/ Offshore Leasing Benefits: Everyone Gets a Piece of the Pie

The benefits of offshore leasing extend far beyond the few coastal states that actually border these activities, according to Paul Driessen, attorney/adviser and policy analyst for the Minerals Management Service, U.S. Department of Interior. An important unsung contribution of offshore exploration and production is the thousands of jobs created in inland states and communities.

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Oil Platforms as Reefs:
Oil and Fish CAN Mix

Paul K. Driessen*

Offshore oil and gas production platforms function as excellent artificial reefs, providing a hard substrate for corals, bivalves and other sessile animals, as well as food and shelter for a wide variety of benthic, midwater and surface fish and invertebrates. The biological basis for this artificial reef phenomenon is presented, along with a summary of typical species associated with California and Gulf of Mexico platforms, a discussion of pollution concerns and a brief overview of the offshore leasing programs that have led to the siting of over 4,000 platform reefs in U.S. coastal and ocean waters.

Artificial Reefs: An Historical Overview

An age old question for those who earn their livelihood from the sea is how to increase, diversify or simply maintain stocks of fish and shellfish, particularly in the face of overfishing, natural disasters or man-induced ecological changes.

Manmade artificial reefs have been used for these purposes since several Japanese fishermen built one around 1795. Having noticed that once excellent catches in the vicinity of a sunken boat had declined as the boat's timbers deteriorated, they sunk large wooden frames topped with sandbags, bamboo and wood, in an effort to duplicate the earlier structure. (13, 48) This successful experiment led to many more, utilizing a wide variety of materials and designs.

Today, the Japanese are world leaders in the science of artificial reef construction. They have learned that particular designs attract specific animals, such as lobsters, abalone, small bait fish and large migratory fish. Japan's government now spends over $300 million per year on artificial reefs and has played a major role in the construction of some 2,500 reef sites along the coast of this seafood-dependent nation. Together, these artificial reefs have an annual output of nearly 5 million tons of fisheries products. Taiwan, Australia, France, Puerto Rico and the Philippines also have artificial reef programs. (13, 43, 48, 50)

The first recorded use of an artificial reef in the United States occurred off South Carolina in the early 1800s. Local fishermen sunk rock-filled log and brush baskets in inlets along the coast to attract and propagate sheepshead. (13, 43, 54, 56) Since then, fishing interests around the U.S. have employed everything from World War II "Liberty" ships to wrecked cars, streetcars, rocks, tires, rubble from demolished roads, bridges and buildings -- and even toilets.

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*Attorney-Adviser and Policy Analyst, Minerals Management Service, U.S. Department of the Interior, Washington, D.C. 20240. He is trained in geology, ecology and environmental law.

In an effort to increase snapper populations, Alabama built several reefs in 1954, under the Nation's first state-sponsored program. Unfortunately, the automobile bodies it used quickly rusted or were scattered by storms, creating serious problems for shrimpers and fish trawlers. The state has since overcome the bad publicity associated with this effort and has an active artificial reefs program. (13, 48)

Hawaii Fish and Game Division biologists noted a 16-fold increase (by weight) in fish at one site following the addition of automobile bodies and broken concrete pipe. Off Florida, some 175 active permitted artificial reef sites have been established, including the world's largest tire reef. Artificial reef programs are also underway in Virginia (which is developing a statewide master plan), Maryland, New York, New Jersey, Georgia, Mississippi, Texas and several other states. (13, 41, 48, 50A, 55, 56)

However, the world's biggest and most highly productive artificial reef system is also one of the least publicized and least well known. For many, it may also be the most surprising, because it is made up of some 4,000 small, medium and gigantic petroleum production platforms off the shores of Texas and Louisiana. On a smaller scale, 31 production platforms off the California coast provide excellent habitat for a wide variety of Pacific marine life.

Larvae, Nutrients and Substrates

With but a few exceptions (such as Alaska's Beaufort Sea), America's coastal and ocean waters are made extremely rich in nutrients by rivers and currents. Currents, like those that arc into the Gulf of Mexico from the western Caribbean and central Atlantic, also bring with them the larval and juvenile stages of numerous fish and invertebrates. These undeveloped progeny of corals, sponges, brittle stars, nudibranchs, hydroids, anemones, fish and shellfish float along in this chemical soup until they find a suitable habitat or hard substrate -- or until they die. (12, 13, 48, 64)

For those plants and animals that require a hard substrate, the texture, contour and angle of the prospective surface are determinants of suitability, as are the amount of light reaching it, the strength and direction of currents, and whether the surface is already host to members of the same species, since chemicals given off by existing residents can be detected by the larvae and act as a signal that the surface is suitable. (8, 12)

Another critical factor is the larva's lifespan. One kind of marine worm survives only 6-12 hours without proper shelter; the spats of several barnacle species, on the other hand, can float for weeks, testing one prospective site after another. Each time it contacts a potentially suitable substrate, the spat chemically "tastes" the substrate. If the surface passes muster, the spat glues itself down, metamorphoses into adult form and begins to grow, propagate and send larvae out on the currents, to be carried to another natural or artificial reef, where the process is repeated. (8, 12)

Corals, algae, sponges, barnacles and mollusks are among those species that need a hard surface -- something that, unfortunately, is in short supply off most coastlines in Alaska and the Lower 48 states, because rivers deposit so many fine sediments, creating vast expanses of flat, gradually sloping, featureless ocean bottom. Some have referred to these areas as "biological deserts," characterized by a general lack of food, hiding places and habitat diversity, and inhabited primarily by tube worms, crabs, small mollusks, a few bottom fish and an assortment of lesser invertebrates. (9, 22, 27, 28, 31, 38, 53, 64)

It is this lack of adequate "hard bottom" sites -- areas with rocky bottoms, boulders, natural reefs and ridges pushed up by subsurface salt domes or other geologic forces -- that has often spawned artificial reef programs.

Oil and Gas Production Platforms as Artificial Reefs

Oil and gas production platforms, like intentional artificial reefs, duplicate the natural reef conditions that concentrate and increase fish, invertebrates and plants. It has even been said that platforms are remarkably like the best Japanese designs, in that they are similar in shape; offer extensive surface area and excellent substrates; provide both high and low relief, thereby assuring benthic, midwater and surface habitats; and have numerous openings and potential hiding places. (13, 22, 28, 51, 52, 64)

FIGURE 1. A blue angel fish browses on encrusting organisms growing on a Gulf of Mexico platform. (Photograph by David Bull.)

Offshore platforms (also called rigs or structures) range from simple flare stacks to moderately sized multi-well affairs standing in 50-100 feet of water, to enormous structures that tower as high as the Empire State Building, produce hydrocarbons from up to 60 wells, provide sleeping and eating facilities for 30 or more crew members and contain elaborate equipment to drill wells, prevent blowouts and process the oil and gas before it goes into pipelines. Some are complexes of several platforms (one with production and blowout prevention equipment, another with compressors, a third with crew's quarters), connected by cat-walks.

Below the water's surface, however, large and small structures alike are very similar. As Figure 2 illustrates, rigs are supported by a pre-welded framework of steel tubing (called a "jacket") that is lowered to the sea floor and anchored into place by steel H-beam pilings or other methods. Each vertical leg is reinforced by a system of horizontal and diagonal supports. A series of smaller pipes (drill guides and oil and gas conductor pipes) also runs to the surface.

These assorted tubes rapidly become covered by a thick matte of organisms -- referred to by the offshore oil industry (in maritime lexicon) as "biofouling" organisms. They can reach several feet in thickness, creating a significant drag against currents and putting additional strain on the platform's support system. (13, 29, 35) Offshore production platforms perform a number of functions.

- They attract fish, which are thigmotrophic (*i.e.*, are attracted to large, solid, stationary objects), and provide visual landmarks or reference points for fish that forage away from the reef into the unstructured and featureless environment around it. (13, 22, 27, 55)

- Platforms also provide a hard substrate for sessile plant and animal species. In fact, a typical major Gulf of Mexico platform, standing in 100 feet of water, offers approximately two acres (8,173 square meters) of substrate that is quickly colonized by barnacles, gastropods, bivalves, algaes, hydrozoans, hard and soft corals, bryozoans, anemones, sea urchins, sponges and other marine life. All together, the 4,000 structures in the Gulf provide some 4,500 acres (1,825 hectares) of hard surface area -- or roughly 15 percent of the total hard substrate available in the Gulf. (29, 47, 48)

- The barnacles and bivalves, in turn, provide significant additional substrate for more such species -- as well as niches, hiding places and food for pistol shrimp, nudibranchs, xanthid crabs, starfish, brittle stars and numerous other animals. In one biological survey, some 80 species of small invertebrates were found amid clumps of mussels on a California platform. (53)

- Still more hard substrate is created on the sea floor under each platform, as rock chips accumulate during the drilling of wells. This "cuttings pile" is augmented by tons of shells that slough off upper support members and can reach depths of 10-15 feet or more. This new benthic hard bottom becomes home to an assortment of anemones, crabs, sea cucumbers, starfish, croakers, seatrout, and other fish. (27, 53)

- Most importantly, these sessile and motile flora and fauna serve as major food sources for a wide variety of foraging fish and invertebrates, whose feeding creates a constant rain of leftovers, fecal pellets, eggs, plants and other nutrients utilized by animals on lower support members, the cuttings pile and the seafloor around the platform. Sheepshead, triggerfish and predacious snails, for example, browse on the barnacles. (1, 22, 35, 53, 55)

- The rain of nutrients also appears to enrich the habitat around the platform. A study of two California platforms found that polychaetes in the soft mud bottom became more abundant with increasing proximity to the structures. (53)

- Offshore oil and gas structures thus serve as the base for a significant food chain that attracts spadefish, snapper, sargeant majors, drums, seabass, redfish and (in the deepwater portions of the Gulf of Mexico) a dazzling array of tropical fish, including damselfish, tangs, butterfly fish and angel fish. These, in turn, lure larger predators, like grouper, barracuda, cobia, almaco jack and the more transient bluefish, sharks, amberjack, dolphins, king mackerel -- and people. Among the more important shellfish common to platforms are spiny lobsters, crabs, shrimp, oysters, clams and mussels. (22, 27, 29, 53)

- Because platforms rise up through the entire water column, they provide a wide variety of habitats for temperate and tropical benthic, midwater and surface fish, shellfish and other life forms, allowing many of them to grow at the most favorable depths and increase their natural ranges vertically. Their ability to support life near the surface ensures high photosynthetic activity and maximum productivity in terms of grams of carbon produced. (11, 12, 22, 27, 37, 47)

- At each level, offshore structures provide spawning and nursery grounds. Crabs, hydroids, mussels, anemones, seaperch, greenlings, rockfish and other animals have been observed in reproductive conditions; the release of mussel sperm and eggs, as well as viable sargeant major eggs and newly hatched fry being guarded by electric blue males, has actually been photographed. (12, 13, 41, 49, 53)

- Platforms and the often massive accretions that develop on their support members also allow fish to conserve energy, by providing a refuge from currents and storms. Their open structure permits plankton and other nutrients to circulate and lets fish roam freely throughout the artificial reef. (27, 55)

Like their more traditional counterparts, petroleum platform reefs begin by attracting and concentrating juvenile and adult fish from the surrounding area. However, this initial effect is soon replaced by a much more complex interaction, as biological succession progresses.

Since there is a definite relationship between the amount of rough/hard bottom and the number of fish and other organisms, an absence of rough/hard bottom habitat limits the marine life a given area can support. Platforms raise primary productivity levels, augment habitats and food supplies, increase local carrying capacity and biomass, and expand both the variety and numbers of highly desirable fish and shellfish in areas where they were formerly limited

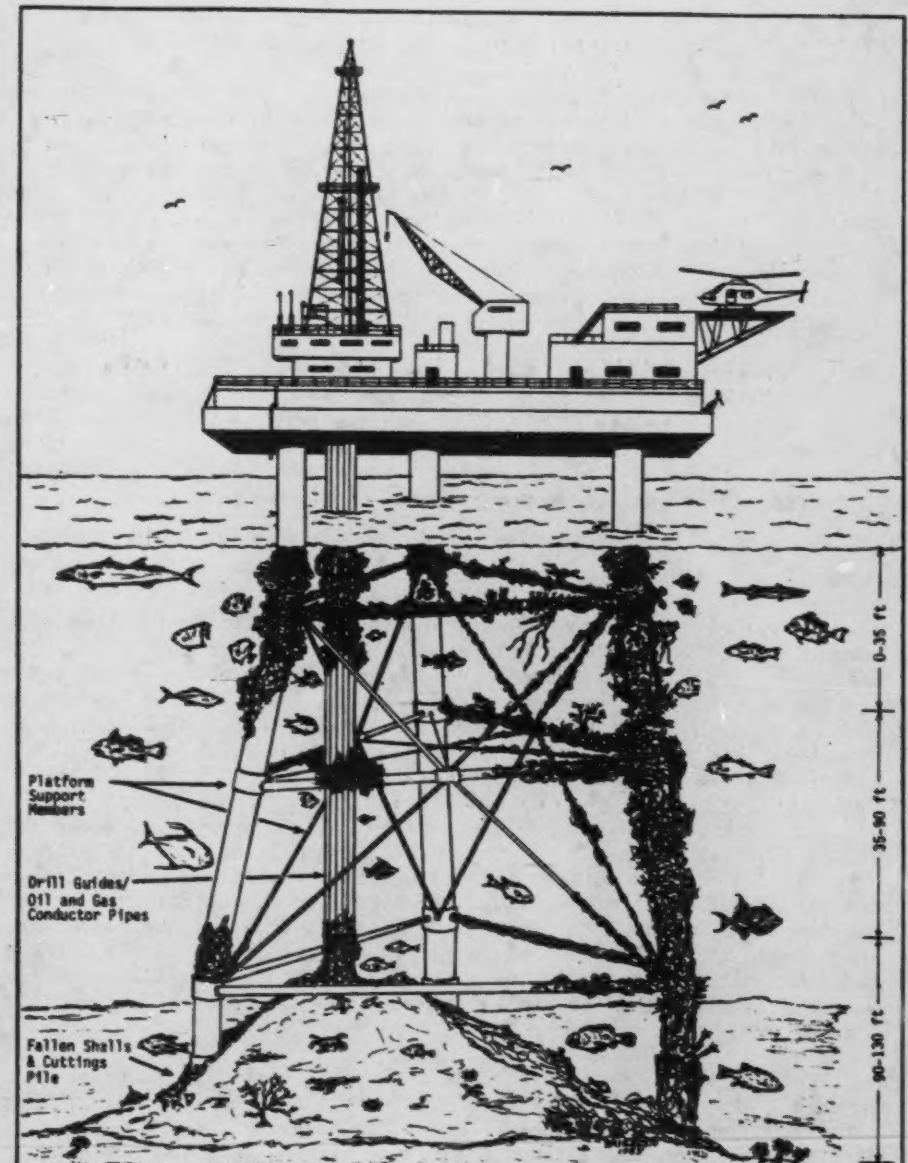
Platform Support Members
Drill Guides/ Oil and Gas Conductor Pipes
Fallen Shells & Cuttings Pile
0-35 ft
35-90 ft
90-130 ft

FIGURE 2. Schematic drawing of a typical offshore oil and gas production platform, illustrating its subsurface support members, encrusting organisms and how the platform provides habitats for a variety of fish. Portions of the support members have been left clean, to show their structural configuration more clearly. Tables 1 and 2 list representative fish and invertebrate species found at various depths.

or nonexistent -- without drawing fish away from other natural or artificial reefs. (13, 28, 31, 35, 38, 50, 54, 55, 56)

The presence of a production platform can thus change a barren, relatively uproductive area of the ocean into a diverse, dynamic, highly productive environment. By increasing the amount of low to high profile reeflike hard surfaces, they provide immediate new sources of shelter and food for a broad array of organisms that otherwise would likely be lost to predators, as a result of being unable to find suitable habitat or through other natural biological processes. By recruiting organisms as larvae or juveniles, the platform reefs allow new stocks to reach adulthood in new ecological niches that previously were not available. (33, 35, 50, 54)

Of course, platforms -- like any other reef -- also continue to concentrate a variety of fish that do not depend on the reef, but are attracted to it by its high profile and the potential for prey. The large schools of sardines, scad, lingcod and blue runners, as well as the major predators (like cobia, amberjack, dolphin, mackerel, barrucuda and shark) are good examples. (13, 22)

Descriptions of Platform Communities

Today, there are some 150 species in the Gulf of Mexico that were unknown there 30 years ago, before offshore oil production became such a big business. Off California, 45 species of fish and over 200 invertebrate species were observed on and near two neighboring platforms that stand in 100 feet of water. Other California platforms have attracted sea lions, which bask on anchor buoy barges, floating oil gathering lines and even the platforms themselves. (12, 19, 53, 60)

In all three areas, 20-50 times more fish were found under and around platforms than in nearby areas with soft bottoms. Platforms have also been found to have fish populations five times greater than nearby natural reefs of similar areal extent. These findings mirror studies in Florida, the Virgin Islands, Puerto Rico and elsewhere, which found that artificial reefs composed of concrete blocks, tires and other materials had standing fish populations 5-11 times greater than did natural reefs of similar size in the same general area. (13, 53, 56)

This reflects the fact that natural reefs grow in patterns most favorable to corals and other reef-building materials. Petroleum structures and many other artificial reefs are more complex structurally, have more openings, stand higher above the ocean floor and are built in a configuration that maximizes the number and variety of fish habitats. (13, 31, 38)

At the platform and other artificial reef sites, however, biological survey teams have reported fewer species of fish than at their natural reef counterparts. One possible explanation for this apparently reduced species diversity is that the artificial reefs' shorter existence means a lower level of biological succession, complexity and carrying capacity. While natural reefs have existed for centuries, offshore platforms are still in their developmental infancy. Another is that certain species may be able to occupy a larger number of niches than would be the case in a slowly growing natural reef, because a large, clean new substrate has suddenly been inserted into the local environment. A third may simply involve a failure to observe the presence of certain species or recognize natural fluctuations in the presence or size of some populations (due to water clarity, the time of the day or year, strong currents that cause fish to seek shelter, or other factors) at the time the population counts were taken. (11, 12, 53)

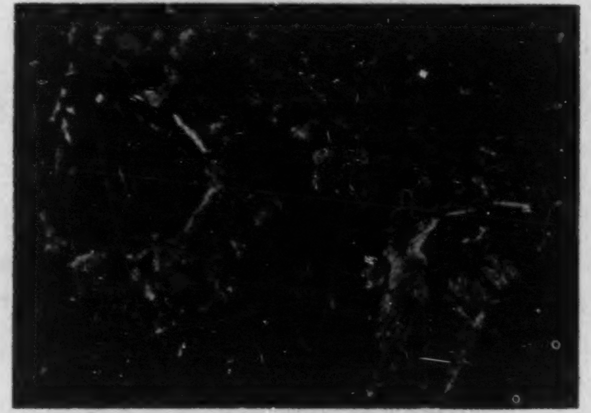

FIGURE 3. A seaweed blenny peers out of a barnacle shell (*Balanus tintinabulum*) on a platform off Texas. (MMS file photograph.)

Both species diversity and population counts appear to be related to platform age. Studies of platforms Hazel and Hilda in the Santa Barbara Channel between 1958 (shortly after their installation) and 1975, for example, showed an increase in resident fish from 6,000 under Hazel in the 1960s, to 8,000-30,000 in 1975. Even more significant changes occurred on the cuttings pile: once fallen shells built up on the formerly silty cuttings surface, a diverse community of fish and invertebrates became established. (17, 53)

Biological succession proceeds from the platform's installation until a complex reef-type system is established, usually in five to six years. Food, shelter and fish and invertebrate biomass increase rapidly as the platform reef is colonized, then tapers off somewhat in both species and numbers as carrying capacity is achieved. Whether a true climax community and static end-point develops -- or the artificial reef continues to be characterized by dynamic change -- is difficult to say, as studies conducted to date have rarely spanned more than a quarter-century. (13, 22, 29)

A wide variety of factors determines species composition and numbers, growth rates and productivity levels on a given platform reef. Species composition is dictated largely by previously resident biota and by larvae carried into the area by currents. California platforms, for example, are naturally characterized by Pacific forms, while Gulf of Mexico structures combine Caribbean, Atlantic and Gulf species. The presence of a string of platform "islands" may permit even species with short-lived larvae to extend their range gradually across a wide area. This clearly appears to have happened in the Gulf of Mexico, where various Atlantic and Caribbean reef fish and invertebrates are now common.

Other factors affecting biological parameters include the platform's distance from shore, water temperature, the amount of freshwater runoff and nutrients, water depth, current speed and direction, weather, salinity, the amount of substrate and living space available on the platform, adequacy of food for various species, and whether a particular ecological niche is open or is already occupied by another species. Turbulence caused by strong currents buffeting pipes and crossbraces, for instance, make feeding conditions more favorable and increase rates of growth for mussels and oysters. (12, 16, 22, 29, 48)

Changes in fish and invertebrate species and numbers will also occur diurnally and seasonally. Hydrozoans die back significantly on Texas and Louisiana platforms in summer months, for example, causing a 50 percent decline in biomass; and redfish, bluefish, pompano and many other species of fish are much more likely to be found off Gulf platforms during one season than another. Similar changes have been found to occur on California platforms. (6, 29, 32, 53)

TABLE 1

REPRESENTATIVE PLATFORM COMMUNITIES ACCORDING TO WATER DEPTH (GULF OF MEXICO)

Surface-35 Feet	35-90 Feet	90-150 Feet	All Depths	Cuttings Pile
Sheepshead	Sheepshead	Red Snapper	Barracuda	Soapfish
Atl. Spadefish	Atl. Moonfish	Gray Snapper	King Mackerel	Red Snapper
Lookdown	Lookdown	Triggerfish	Amberjack	Seatrout
Atl. Moonfish	Redfish	Croaker	Sand Shark	Croaker
Redfish	White Trout	Grouper	Hammerhead Shark	Catfish
Speckled Trout	Seabass	Tomtate	Cobia	Grouper
Sgt. Major	Bluefish	Catfish	Dolphin	Shrimp
Spanish Mackerel	Tangs	Creole Fish	Tuna	Spiny Lobsters
Hardtail	Butterfly Fish	Angel Fish	Crevalle Jack	Crabs
Blennies	Damsel Fish	Wrasses	Bryozoans	Gorgonians
Seabass	Angel Fish	Spanish Hogfish	Hydrozoans	Bryozoans
Sardines	Squirrel Fish	Shrimp	Polychaetes	Starfish
Pompano	Blue Runner		Anemones	Polychaetes
Cocoa Damsel	Creole Fish		Sea Cucumbers	Sea Cucumbers
Tangs	Croaker		Starfish	Anemones
Butterfly Fish	Drum			
Stone Crabs	Crabs			
Clams	Clams			
Oysters	Oysters			
Amphipods	Scallops			
Pistol Shrimp	Nudibranchs			
Nudibranchs	Hard/Soft Coral			
Pistol Shrimp	Gorgonians			
Brittle Stars	Fireworms			
Hard/Soft Coral	Sea Cucumbers			
Sponges	Algae			
Algae				

On Mud Bottom	Surface & Platform
Flatfish	Gulls
Catfish	Terns
Speckled Trout	
Tube Worms	
Polychaetes	

Platform communities are characterized by primary energy producers (kelp and red, green and bluegreen algae); filter feeders (barnacles, oysters, mussels, clams, hard and soft corals, sponges, feather duster tube worms and certain anemones, like *Metridium senile*); foraging fish and invertebrates (including spadefish, triggerfish and starfish); small, secretive scavengers (blennies, xanthid crabs and pistol shrimp, for example) that inhabit abandoned shells and the interstices between shells; and an assortment of larger predators (such as red snapper and seatrout). Transitory predators like king mackerel, dolphins and sharks are also common, being attracted by prey fish and the platforms' high profile, but are not properly included in the actual platform community.

Though the lines of demarcation are somewhat blurred, platform communities can also be grouped according to two additional criteria: (a) by distance from shore, through a gradual ecological gradient, into coastal, estuary-dependent species (at 1-80 feet water depth), offshore or intermediate assemblages (at 80-200 feet water depth), and blue water oceanic assemblages (at water depths greater than 200 feet); and (b) by vertical zonation, according to water depth on a platforms' jacket. Clear differences can also be observed geographically, from east to west in the Gulf of Mexico, and from north to south along the California coast. (27, 29, 53, 59)

Coastal reef assemblages in the Gulf are dominated by barnacles, hydroids, bryozoans, anemones, xanthid crabs, blennies, sheepshead,

TABLE 2

REPRESENTATIVE PLATFORM COMMUNITIES ACCORDING TO WATER DEPTH (CALIFORNIA WATERS)

Surface-30 Feet	30-90 Feet	90-150 Feet	All Depths	Cuttings Pile
Olive Rockfish	Olive Rockfish	Kelp Bass	Brown Rockfish	Flounder
Blue Rockfish	Blue Rockfish	Gopher Rkfish	Sharks	English Sole
White Seaperch	White Seaperch	Lingcod	Calif. Mussels	Crabs
Ocean Sunfish	Senorita	Whitebelly Rockfish	Crabs	Mussels
Senorita	Kelp Bass		Colonial Anemone	Starfish
Thresher Shark	Cabezon	Canary Rkfish	Starfish	Anemones
Pacific Bonito	Croaker	Combfish	Gastropods	Sea Cucumbers
North. Anchovy	Pile Perch	Swell Shark	Sea Urchins	Batstars
Kelp Bass	Greenling	Seastars	Nudibranchs	Sea Urchins
Cabezon	Lingcod	Gorgonians	Nematodes	
Black Perch	Grass Rkfish	Anemones	Polychaetes	
Topsmelt	Goby		Hydrozoans	
Barnacles	Ronquil		Amphipods	
Rock Scallops	Croaker			
Clams	Kelp Rockfish			
Ochre Seastars	Sculpin			
Nudibranchs	Barnacles			
Encrusting Sponge	Clams			
Kelp	Scallops			
Algae	Ochre Seastars			
	Gorgonians			
	Skel. Shrimp			
	Anemones			
	Kelp			
	Algae			

Mud Bottom	Surface & Platform
Flounder	Calif. Sea Lions
Tube Worms	Harbor Seals
Tube Anemones	Brown Pelican
Polychaetes	Western Gull
	Calif. Gull
	Brandt's Cormorant

spadefish and bluefish. Common offshore species include most of the coastal community, except that the barnacles may be of a different species and bivalves are the dominant shellfish. Offshore assemblages also include triggerfish, pistol shrimp, stone crabs, brittle stars, polychaetes and larger numbers of tropical reef species, snapper, bluefish, dolphin, sharks and king mackerel. Bluewater platforms are distinguished, above all, by a marked decrease in encrusting organisms and an abundance of tropical reef fish — such as wrasses, tangs, damselfish and angel fish. Oysters are the most abundant bivalves; large numbers of blue runners, triggerfish, sea-bass, jacks, and seatrout, as well as occasional sailfish and marlin, also characterize the bluewater areas. (11, 22, 27, 29, 53, 59)

Tables 1 and 2 summarize some of the more common species that can typically be found on or near an "offshore" platform in Gulf of Mexico and California waters, respectively. Off Louisiana, the barnacle community is composed primarily of small acorn barnacles (*Balanus amphtitrite* and *B. improvisus*); by contrast, Texas platforms are dominated by the much larger Mediterranean barnacle, *B. tintinabulum*, which grows in clusters, forming a high-relief habitat. (22, 29)

On California platforms, the California mussel (*Mytilus californianus*) dominates in coastal waters, while the European or bay mussel (*M. edulis*) is the preponderant shellfish further from shore. Mussels nine to twelve inches long are not uncommon, apparently due to strong, algae-laden currents in the study areas. Unusually large starfish of several species are also common; specimens of *Pisaster giganteus* (which feeds on the abundant mussels) have reached nearly 30 inches across. (53)

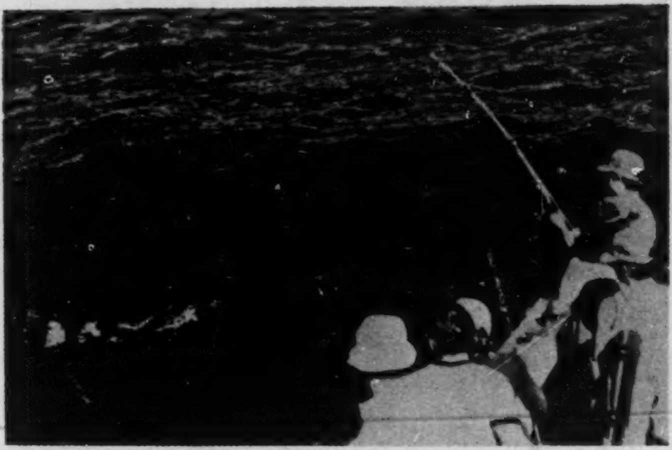

FIGURE 4. Fishing off the stern of Capt. Charlie Hardison's charter boat, which is moored to a Gulf of Mexico platform, the author reels in a 65-pound king mackerel. (Photograph by Villere Reggio.)

As might be expected, biomass decreases with depth on a typical platform, reflecting the decrease in solar energy and primary algal and phytoplankton productivity. The biomass dominants are barnacles and oysters in the Gulf and mussels in the Santa Barbara Channel, plus the encrusting algae, sponges and hydrozoans growing on them. In the Gulf, a sharp break in biomass is generally associated with the end of the surface turbid layer and the beginning of the bottom turbid layer. Winter biomass is significantly higher than summer biomass. (29, 53)*

Alaska and the Atlantic

Offshore petroleum production is in its infancy in Alaska. Only in the Gulf of Alaska are platforms in operation,and ice, tides and swift, silt-laden currents there scour platform legs, making colonization almost impossible. However, the discovery of subsea "rock gardens" or "boulder patches" in the comparatively unproductive and nutrient-poor Beaufort Sea suggests that platforms will likely serve as reefs in Alaskan waters where conditions are not so inhospitable.

Many Alaskan marine waters are like those off the Lower 48 States -- flat, muddy and home primarily to polychaete worms, small mollusks and crustaceans. However, rocks and pebbles found several years ago in the Beaufort by Dr. Kenneth Dunton of the University of Alaska were covered with soft corals, kelp, anemones, hydroids, trumpet sponges, chitons, snails, algae and sea stars. Small fish, crabs and sea spiders were also present. (14, 24)

This phenomenon suggests to Dunton and others that concrete or steel platforms will likely attract significant marine life in the Bering Sea, Chukchi Sea and similar areas where the waters are rich in phytoplankton and nutrients. The smaller surface areas associated with arctic and subarctic platform designs will tend to decrease the total amount of biomass, compared to the Gulf of Mexico or Santa Barbara Channel. However, the high productivity and presence of abundant, diverse populations of invertebrates and fish in the Bering and Chukchi indicate that rapid colonization will occur on many platforms off the Alaskan coast. (25)

To date, no commercial deposits of oil or gas have been found in the U.S. Atlantic, which drilling and geologic evidence indicates is prone to natural gas, rather than oil. Unsuccessful exploratory drilling and a paucity of attractive new areas being made available for lease make production and production platforms unlikely in the Atlantic in the foreseeable future. However, the success of other artificial reef efforts all along the Atlantic coast strongly suggests that any future platforms would be colonized quickly.

Commercial and Sport Fishing, Diving, Scientific and Other Benefits

Offshore platforms -- including even the smallest flare stacks -- are an important economic and environmental resource in both the Gulf of Mexico and Santa Barbara Channel. Sport, spear and commercial fishermen alike utilize them, as do shell collectors, underwater photographers, marine biologists and aquarium owners.

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*Those interested in greater details about platform species and community assemblages should refer to references 22, 27, 29, 53, 59)

According to one survey, over 85 percent of the sport fishing boats, almost a quarter of the charter and party boats, and over half of all the offshore fishing trips, in the Freeport-Galveston, Texas, area in 1976-77 went to platforms; platform crew members likewise spend much of their free time fishing. Another study reported that one-fourth of all offshore ocean fishing trips originating in Texas, Louisiana and Mississippi go to the rigs. Among the main attractions to these sport fishermen are king and Spanish mackerel, red snapper, bull redfish, white and speckled trout, cobia, amberjack, bluefish, drum, triggerfish and pompano. (6, 16, 17, 18, 27, 29, 41)

Commercial hook and line fishing has likewise benefitted from platforms in the Gulf of Mexico and Santa Barbara Channel. Commercial boats come all the way from Florida in search of grouper, snapper and mackerel off Louisiana structures; snapper/grouper boats from Niceville and Pensacola, Florida, fish oil and gas structures in the Central Gulf almost exclusively. Some boats (outfitted with special mud dragging gear) trawl for shrimp right along pipeline trenches, as that is where the shrimp seem to congregate most heavily. (10, 15, 19, 57)

The dockside value of the 450,000 pounds of snapper and grouper caught by Florida commercial fishermen is approximately $2 million a year. Many of these fish, as well as redfish, pompano, trout and snapper end up in restaurants -- from Broussard's and others in New Orleans to some as far away as Chicago and New York. (2, 15, 49)

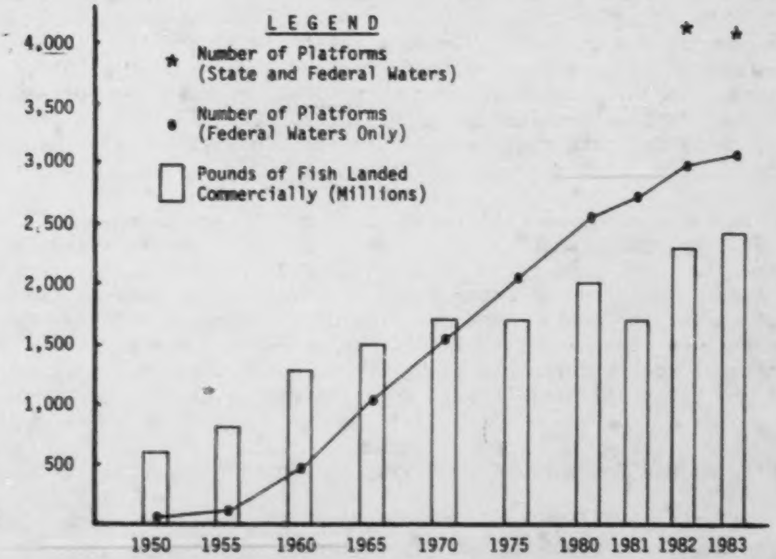

FIGURE 5. Commercial fish landings (by weight) and offshore oil and gas structures in state and federal waters in the Gulf of Mexico, 1955-1983. In 1983, Louisiana accounted for 70 percent of the fish poundage landed commercially in the Gulf, as well as 89 percent of the structures and 93 percent of the oil production in state and federal portions of the Gulf. (Sources: Minerals Management Service, National Marine Fisheries Service)

In 1983, the Gulf of Mexico accounted for 2.4 billion pounds of fish -- a new record, equivalent to 38 percent of the total U.S. commercial fish catch and over 80 percent of the shrimp harvest (by weight). California, by comparison, caught 8 percent of the fish landed commercially, while the entire New England area landed 11 percent. (19, 58) The fact that both commercial fish landings and the number of platforms in the Gulf have been increasing suggests, at the very least, that oil production has not harmed fishing (Figure 5).

Offshore sport fishing was almost nonexistent in Louisiana prior to the establishment of a substantial oil and gas industry in the Central Gulf of Mexico. Numerous world records have been set by anglers fishing around oil and gas structures: king mackerel, speckled trout, red drum, jack cravelle and bonita -- as well as the women's world record for blue marlin. (10, 22)

The value of these commercial and recreational fish is substantial. The support services and facilities required by these fishermen (food, bait, fuel, boats, marinas and hotels) also contribute substantially to local economies. The Sport Fishing Institute has estimated that the economic impact of U.S. marine recreational fishing (which represents one-third of all recreational fishing) in 1980 resulted in over 65,000 person-years of employment. Recreational boat fishermen in the Houston-Galveston area spent more than $31 million for fishing trips in 1978, resulting in an economic impact of nearly $80 million to the coastal region; much of this fishing was associated with oil and gas platforms. The total annual contribution of licensed saltwater recreational fishermen to the Louisiana economy has been "conservatively" estimated at $640 million; this figure does not include the contributions of the numerous anglers under the age of 16 or over 60, as they do not have to be licensed. (3, 5, 16, 22, 42, 45)

In the North Sea, some 2,600 wells produce oil and gas in the midst of Europe's most vital fishing ground, which annually yields several times as much fish as New England's George's Bank. The Royal Society of London, after exhaustive study, found that petroleum operations have had no significant adverse impacts on fishing or the ocean environment. Moreover, the North Sea commercial fish catch has quadrupled since drilling began, and fishing fleets commonly trawl the productive waters near platform complexes. (4, 35)

In the Santa Barbara Channel, Bob Meek harvests 2,000 pounds of mussels a week from platforms, for sale to restaurants. Tests by the California Public Health Department and U.S. Food and Drug Administration found that their meat contained fewer contaminants than did mussels harvested in Bodega Bay, California's cleanest bay -- attesting to the effectiveness of modern pollution controls and to the cleanliness of open ocean waters around the platforms. Meek plans to double his mussel harvest through automation and to begin culturing oysters on platforms. (29, 34, 40, 46, 53)

State of Louisiana researcher Dr. Ann Scarborough-Bull believes oysters could be cultured on North Central Gulf of Mexico platforms. She notes that, while the American oyster (Crassontrea virginica) requires estuarine water to spawn, the juvenile and adult oysters would grow very well in salt water, especially if hung vertically ("rafted") in large Vexar bags where strong, nutrient-rich currents can provide abundant plankton. Although it may be pointless to try to lure Louisiana oystermen away from their traditional methods of oyster fishing in the estuaries, several members of the industry are evaluating offshore mariculture opportunities. Faster growth rates and the absence of any need to depurate the rafted oysters to remove oil, chemical and bacterial contaminents may help stimulate interest in a platform industry. (49)

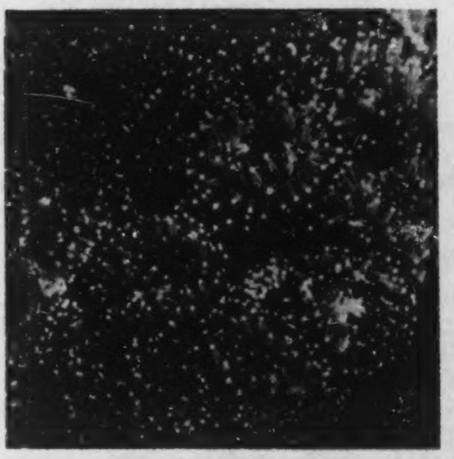

FIGURE 6. Colonial anemones form a matte on the leg of a Santa Barbara Channel production platform. (Photograph by Dick Zingula.)

A comparatively small but significant number of scuba divers also utilize offshore platforms, particularly for spear fishing (100-200 pound groupers are relatively common off some platforms and are highly prized). Divers also use the rigs to photograph large or unusual ish and invertebrates, as well as to collect shells or aquarium fish and for simple recreation. Many Louisiana divers go only to the rigs, and their number is growing, as more dive shops offer charter trips to platforms in deeper water further from shore, where game fish and tropical reef fish are especially abundant. (2, 7, 44)

Like the sunken Japanese fleet at Truk lagoon, offshore structures also provide a precisely known date when colonization first began. Platforms thus act as vast undersea laboratories, where marine biologists can study growth rates, productivity patterns, life cycles, the "stepping stone" theory of how organisms colonize one location after another, and the "island theory," which investigates populations isolated from one another by geographic barriers. Finally, many boaters and fishermen use platform lights and serial numbers as primary navigational aids; others have found platform radios, crew members, infirmaries and mooring rings to be literal life savers during storms or following accidents. (9, 10, 29)

Oil Spills, Drilling Muds and Pollution Controls

The blowout in the Santa Barbara Channel in 1969 is still fresh in many minds, even though studies by the University of California at Davis a year after the spill found that bird, benthic and fish populations had returned to normal, and that there were no apparent long term adverse effects from the spill. More importantly, as shown in Figure 7, the blowout led to the implementation of significant improvements in blowout prevention rules and technologies. (19, 35, 60)

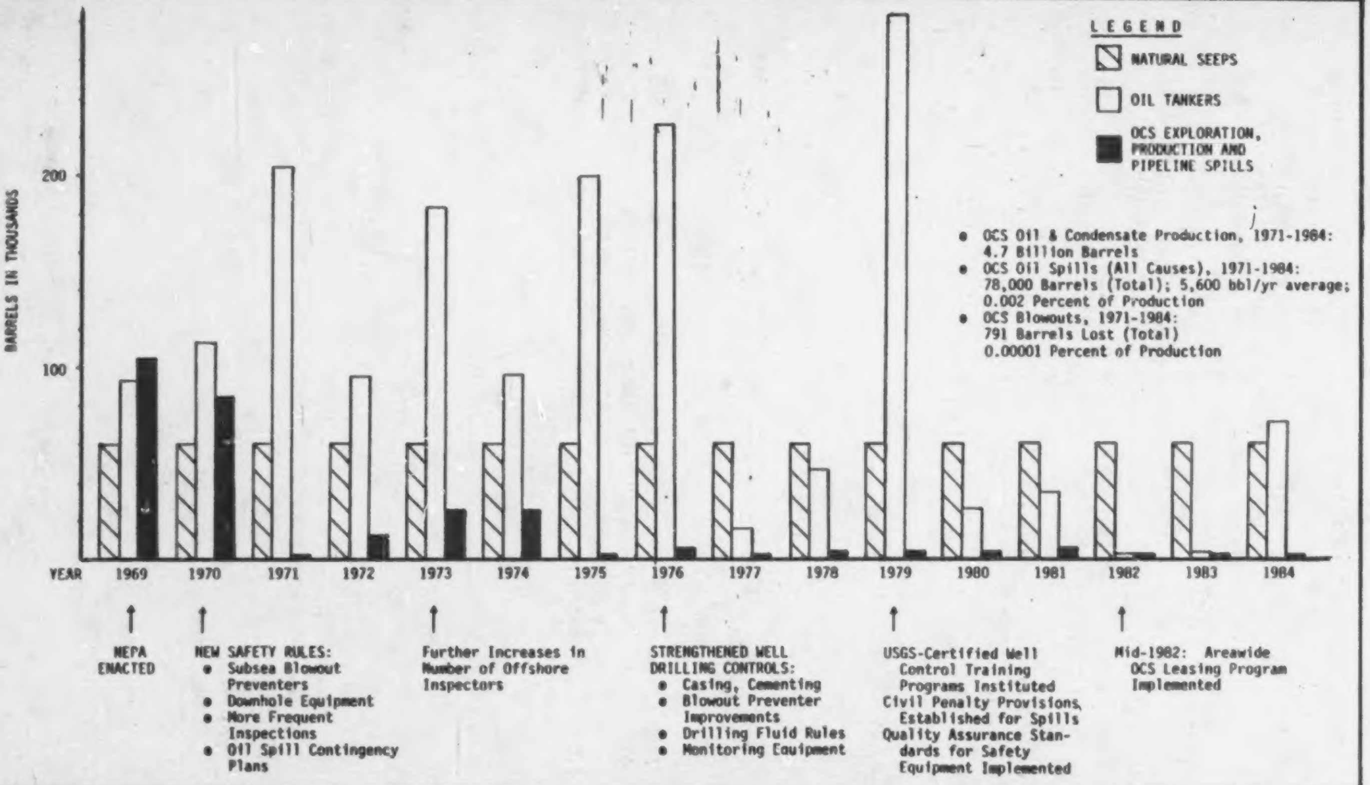

FIGURE 7. History of oil pollution in U.S. coastal and ocean waters from natural seeps, tankering accidents and Outer Continental Shelf oil and gas exploration and production operations, showing the relative impact on the ocean environment from each source and how the implementation of new well control safeguards in 1970 and subsequent years reduced the pollution caused by OCS drilling and production. (Sources: Minerals Management Service, Coast Guard, U.S. Geological Survey)

As a result, during the 14-year period 1971-1984, blowouts caused a TOTAL loss of fewer than 800 barrels of oil (57 barrels a year, on average) on the Outer Continental Shelf. During 1984, there were no oil blowouts, and fewer than 700 barrels were lost from all other spills related to drilling and production operations on the OCS. These data are summarized in Figure 7. (36, 62, 63)

Some may feel that even this spill rate is too high; however, several comparisons will put it into perspective. Natural seeps along the California coastline annally discharge 18,000 to 178,000 barrels of crude. One oil tanker lost over 35,000 barrels when it went aground off Louisiana in 1984. According to the University of Rhode Island Graduate School of Oceanography, motorists changing their own crankcase oil in the city of Providence alone dump some 300 barrels of oil into alleys and storm sewers each year; much of this oil ultimately ends up in the ocean. The Mississippi and eleven other large rivers that collectively drain over half of the United States annually discharge an estimated 1.8 million barrels of oil and refined products into the Gulf of Mexico. (19, 20, 26, 61, 62)

Another recurring environmental concern involves drilling muds or fluids, which are used to lubricate the drill bit, carry cuttings to the surface and prevent blowouts. However, as recent studies by the Environmental Protection Agency, National Research Council and others have pointed out, there is no evidence that these fluids cause significant or long term effects under normal non-laboratory conditions.

Drilling muds are essentially nontoxic and biologically unavailable. By weight, most are 80 percent water and common bentonite clay, 2 percent lignite and an inert chromium compound, 4 percent well cuttings and 13-14 percent barium sulfate (which is administered to patients by doctors when taking intestinal x-rays). Caustic soda and similar compounds are present in only very small amounts. The use of diesel oil to increase lubrication is generally prohibited, and the disposal of muds that do contain oil is strictly regulated by the EPA. (20, 23, 29, 35, 39, 60)

Compared to rivers -- which annually discharge into the ocean millions of tons of silt and sand containing oil, heavy metals, and agricultural, municipal and industrial chemicals -- the amounts of muds and chemicals associated with offshore drilling are tiny. Moreover a scallop harvesting industry the size of New England's annually stirs up sediments equivalent to 100,00 wells, or three times the total drilled to date in U.S. state and federal waters. When these sediments resettle, they cover benthic organisms over a much wider area and to a much greater depth than do drilling muds. (19, 20, 60)

Conclusions: Platform Reefs in the Context of U.S. Energy Policies

Recent major discoveries in Alaska, the Gulf of Mexico and California waters suggest that significant petroleum deposits remain to be found in U.S. waters -- if exploration and production are allowed to proceed. Shell Oil Company has announced the discovery of a 350-million-barrel field at Seal Island, off Alaska's North Slope, and a number of new fields have been found in the Pt. Arguello area off California. By the mid-1990s, these new California fields could be producing enough crude oil to power 10 million cars or meet one-fourth of the state's oil needs (at 1982 consumption rates), and enough natural gas to heat 400,000 Rocky Mountain homes every year for as long as the fields continue producing at these rates. (36)

However, the United States will have to find some 32 billion barrels of new oil reserves during the next decade, just to replace the oil we will be using up. Production at Alaska's Prudhoe Bay field, which accounts for 17 percent of U.S. domestic oil production, is expected to fall by 50-80 percent by the early part of the next century. This decline alone is equal to an increase of 20-35 percent above current oil imports, which represent over one-third of total U.S. oil consumption and in 1983 cost $54 billion -- an amount equal to the combined net asset value of General Motors, Lockheed Aircraft and Coca-Cola. Other fields are also being depleted. (21, 36)

Yet, public concerns about oil spills, drilling muds, platforms interfering with trawling operations, and fish and shellfish caught off platforms not being safe to eat have increasingly led to lawsuits, congressional leasing moratoria and demands that large tracts be dropped from proposed lease sales. One congressional leasing ban, now in its fourth year, continues to make off limits an estimated 850 million barrels of oil north of the Pt. Arguello fields. This is more than twice what America now has stored in its Strategic Petroleum Reserve, at a cost of nearly $15 billion. (19, 36)

These largely unfounded concerns fail to recognize the Nation's need for new oil reserves, the long lead times (5-15 years, generally) involved in exploration and production, the excellent record achieved to date in controlling offshore production-related pollution or the positive role production platforms play in expanding the number and variety of fish and shellfish in America's coastal and marine waters. They have also obscured another critical issue: What is to be done with platforms once they have pumped all the recoverable oil and gas out of the ground?

Current law requires that retired platforms be removed and scrapped. By the year 2020, nearly all the 4,000 platforms currently operating in the Gulf could be removed -- a prospect that understandably alarms sport and commercial fishermen, divers and marine researchers, because removal of these artificial reefs will mean the loss of invaluable biological, scientific and economic resources. (17, 29)

A number of groups are, accordingly, working with Congress to amend the existing law, to permit and encourage platforms' retention on site -- or their relocation to new sites, as has already been done with several retired or damaged platforms that are now serving as artificial reefs at new locations off Alabama, Florida and Texas.

Even after removal and relocation, platforms will last 30-50 years before beginning to fall down -- and longer if hard corals establish large colonies. Assuming a very conservative annual catch of $200,00 for a large platform, a single retired platform could provide an economic value of $6-10 million over these 30-50 years, plus charter boat income, fuel purchases, supplies, equipment and hotel rentals. (5, 17, 30)

Fishing and tourism are clearly vital to many local and regional economies. However, those economies also require secure supplies of reasonably priced oil and gas. A dynamic coexistence among these various interests would clearly benefit a broad section of the public.

The artificial reefs story in the Gulf of Mexico, Santa Barbara Channel and North Sea suggests that this kind of coexistence is possible. A growing body of evidence indicates that offshore oil and gas production platforms actually increase basic productivity, biomass and species diversity; provide greatly increased supplies of high quality, highly desirable fish and shellfish; and ensure numerous opportunities for recreation, scientific study and mariculture. Oil and fish can and do mix, if care is taken and all interests work together toward common goals.

FIGURE 8. California sea lions rest on a buoy barge that marks the location of part of the anchoring system for the Hondo production platform, seen in the background, in the Santa Barbara Channel. (Photograph by Donald Hannaford.)

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PREPARED STATEMENT OF CARROLL HILL, VICE PRESIDENT, RICHILL MARINE, INC.

Mr. Chairman, my name is CARROLL HILL. I am vice president of RICHILL MARINE, INC. of Ventura, California. I am a member of the National Ocean Industries Association and serve on NOIA's Pro-Leasing Task Force California Steering Committee. I am also the small business representative on the Outer Continental Shelf Advisory Board Policy Committee.

Having been a member of the Texas and Louisiana small business community and now as a member of California's, I am deeply concerned about the negative effects that offshore moratoria are having on the hundreds of small businesses all along the Southern California coast that depend so completely on business from OCS development. I am concerned about the head-in-the-sand posture that has been adopted by layman and lawmaker alike in recent years -- the attitude that oil and gas development on the Outer Continental Shelf is of no benefit to anyone but the major oil companies. This narrow view is short-sighted, uninformed, dangerous and detrimental to our nation's economic health and security.

While oil and gas development is the second largest source of income for the United States Treasury, it is the small businesses supporting that development that make those contributions to the Treasury possible. While hundreds of small businesses are directly dependent on OCS activities, hundreds more depend on serving those support companies. The companies around the country number in the thousands.

Richill Marine is a prime example of a small business directly dependent on OCS activity for every incoming nickel. We are a real "Mom & Pop" operation. My husband and I manage nine offshore oilfield vessels. Our oldest son is port captain, responsible for the day-to-day upkeep and maintenance supervision of the fleet. The other son graduated from high school last year and is working as an engineer, learning the business from the bilge up so to speak. Our daughter Lisa is bookkeeper/secretary /office manager. We can have a board of directors meeting every time we sit down to dinner if we like.

Our records indicate that, when business is good, we spend over a million dollars a year with more than one hundred vendors. Ninety percent is invested directly into vessel maintenance and repair: welders, mechanics, supplies, filters, replacement machinery or parts, maintenance-repair-replacement of life saving equipment and electronics and navigation aids, groceries and housewares.

According to a recent survey of four direct competitors, our figures are typical for our segment of the industry. Therefore, if you combine the five companies in question you have five million dollars a year being spent primarily in the local area. A large percentage of the vendors we all use are located between Santa Barbara and Long Beach, California. When you add payroll and benefits, that averages $10,000 per month per boat. As you can see the contribution to the community is not small. State and local taxes are an additional consideration. And remember, we are only talking about five of the ten operators working in the area.

The potential economic impact to the Ventura/Oxnard/Pt. Hueneme area alone is substantial. I say potential because every boat operation is suffering from the lack of OCS activity. The "promised" work just isn't happening. It is not a case of the West Coast fleet being over stocked, as has been suggested. In 1982 almost every vessel here was working. . . and working at reasonable day rates that allowed for fair wages and proper maintenance of equipment. In early 1983, with the OCS lease sales pending and expanded drilling taking place in the Santa Maria Basin, a few operators added a few larger, newer vessels to their inventories. In some cases, contracts were awarded to operators who did not already have equipment located on the west coast.

By quick count, approximately nine crew class vessels and four utility class vessels (the type typically used for spill containment equipment) were added to the fleet. While the larger companies have shuffled various cargo boats back and forth or returned them to other markets, only three cargo supply vessels had been added to the otherwise permanent fleet.

On the other hand, several crewboats recently have been either returned to the Gulf, repossessed or taken out of service through sale or obsolescence and three utility vessels have returned to the Gulf. The net effect is no real increase in the fleet in the past two years. This coupled with production development delays and a sharp decline in exploration activity has left us in a sudden and unexpected dilemma.

This "recession" is not only evidenced by the number of vessels tied and unmanned but also by the drastic reductions in day rates being offered, which in turn results in severe cuts in crew wages and benefits (including grocery allowances) and reduced expenditures for mechanical upkeep and general maintenance supplies. Every vessel not working costs the economy tens of thousands of dollars in the marketplace. Every vessel working at half its true value is worth an equal cut in expenditures that would otherwise support the community and filter out to others across the state and country.

It is perhaps this ripple effect that is the most difficult to demonstrate and put a dollar figure on, but let me assure you it is substantial. Although we buy everything we can from local vendors and suppliers, much of what we purchase is manufactured outside the area. Fuel and lube filters are manufactured in Nebraska, Rhode Island and North Carolina; machinery repair and replacement parts come from Illinois, Wisconsin, Michigan, Maryland and New Jersey; fuel and water transfer pumps from Ohio; lifesaving gear from Florida and Minnesota; paint from Kentucky, Missouri and New Jersey; rope from Pennsylvania and North Carolina and navigation and communication equipment is manufactured in such places as New Jersey, Texas, Ohio, Wyoming, Virginia and Rhode Island. I am sure you get the picture ... every dollar we don't spend doesn't get spread around.

Another example of the ripple effect is that many of the items we purchase regularly from local suppliers are also used on the rigs and platforms and often purchased from the same suppliers.

To say that the oil industry is not as eager to identify potential reserves and develop them because the price per barrel is down due to a perceived "oil glut" is totally erroneous. One of the most difficult tasks facing the geological experts and the oil industry is not locating the reserves (heaven knows that's difficult enough). No, the greater challenge is convincing you -- the lawmakers, the consumers and the environmentalists of the true status of our energy future.

And the most difficult fact to get across seems to be that by the year 2000, three fourths of all the energy this country will require has not yet been discovered ... that is only 15 years from now. Alternative energy sources have been proven to be much farther from reality than a mere 15 years. The average time required in California from the time a lease sale procedure is allowed to commence to the day the first barrel of oil is delivered to the refinery is no less than 10 years and projects in deep water or hostile environments are running 13 to 15 years.

I respectfully submit to you that the current "over supply" and somewhat lower prices of oil will not be with us long -- in fact, they could be long gone before currently scheduled lease sales produce results. This can be evidenced by the increase in price per barrel of oil imported from Canada just a few weeks ago. Escalated fighting in the Middle East once again threatens the flow of crude to the U.S. and our allies, with whom, by the way, we have treaties that guarantee shortfalls of fuel supplies will be made up by diverting precious U.S. reserves. And I, for one, am tired of buying limousines, jets, castles and guns for unstable, hostile governments.

An important factor in the cut-back of work is the permitting delay tactics subscribed to by local and state agencies and environmentalists. Exxon's Santa Ynez unit has now entered it's seventeenth year of permitting and litigation negotiations and yet another law suit looms.

Chevron's Hermosa project has been in and out of hearings, negotiations, and litigation for years. Yet, after passing the scrutiny of seventeen different agencies at all levels of the checks and balances system and over 100 hours of public testimony and millions of dollars of expense it now appears it may all be subject to popular vote through referendum. Other operators have experienced similar delays.

In the meantime, drilling rigs are being moved from California back to areas where there is a better understanding of the real effects of offshore development both economically and environmentally. Boats are stacked in harbors and marinas, casing and drill pipe lie rusting in the yards, equipment and supplies gather dust in warehouses leaving proprietors with thousands of dollars tied up in inventory with little turn-over.

However, more than the status of the current oil market and permitting delays is at the heart of our under-employment. The real problem that leads to and perpetuates the unexpected shortfall in OCS development is the moratoria ... the bureaucratic manipulation of a congressional mandate to expedite offshore development in the interest of national economy and security.

If the congressionally imposed moratoria had truly been for one year only and if the areas under the moratoria were low in oil and natural gas potential, the long term impacts on petroleum production might have been minimal. However, neither are they truly one year acts nor are they all in areas of low potential. Instead they have been blindly continued from year to year, include some of the nation's most promising offshore areas, extend the length of time it will take to find and produce crude oil and natural gas from these areas, increase the need for imported oil, add to our trade deficit (costing dollars and jobs at home) and raise our vulnerability to future cutoffs of imported oil.

In assessing the impacts of offshore leasing moratoria several basic facts are important to keep in mind:

o First, the extent of petroleum resources in any area cannot be known for certain until actual drilling has taken place. Moratoria prevent this knowledge from being obtained. We must be allowed to assess these areas to know what the future really holds.

o Second, even a very large oil and gas field covers only a small amount of acreage. Thus, closing an area of only a few thousand acres to exploration could deny the country access to a major source of petroleum.

o Third, our domestic petroleum reserves are located in small fields as well as large ones. A nation which must find, let alone produce, more than 8 million barrels of oil per day for the next ten years just to keep present reserves in balance cannot afford to exclude promising prospects.

Those who say that the most promising offshore California areas are not affected by the moratoria overlook these facts:

o Off the coast of Central and Northern California, the current moratorium prohibits leasing during Fiscal Year 1985 on about 35 million of the 37 million acres. The U.S. Geological Survey estimates the potential resources of this area are approximately one billion barrels of oil equivalent.

Efforts are underway in Congress to insure a continuation of this moratorium. I say four years is long enough.

o Off Southern California, the current moratorium prohibits leasing during Fiscal Year 1985 on 1.85 million acres of the approximately 12 million acres DOI had planned to offer for consideration in Lease Sale 80. However, (according to official estimates) that 1.85 million acres may contain from 60 to 70 percent of the sale area's potential petroleum resources. This is estimated to amount to about 250 million barrels of oil equivalent.

DOI has estimated that in 1984 the moratoria cost the United States 328 million barrels of delayed petroleum (oil and gas) production and $44 million just in lost interest payments on bonuses not paid the government because of the moratoria on leasing. The net loss to the nation's economy is estimated at $111 million for the one-year delay.

DOI further estimates that permanent bans on the same offshore areas (as have been suggested by some) would deprive Americans of 2.24 billion barrels of petroleum. This would cost the government $3.5 billion in lost revenue and the economy $8.8 billion ... and more, if additional areas are included in the moratoria. This hardly helps solve our deficit problems.

Our offshore areas may contain as much as 53 billion barrels of liquid petroleum and up to 310 trillion cubic feet of natural gas -- a significant addition to our energy supplies. But it takes two years to schedule a lease sale, several years more to explore an area and up to 11 years to bring a field into full production (years longer in more hostile environments and deeper waters).

Our offshore leasing program must be kept on schedule and should offer as much acreage as can be reasonably explored by the petroleum industry. This is necessary to meet future energy needs and to allow orderly planning and implementation of exploration and production operations.

Mr. Chairman, moratoria, no matter how well intentioned, interfere with this orderly and essential process and seriously affect my business and hundreds of other "Mom and Pop" shops, and small entrepreneurs with limited resources with which to outlast a misinformed bureaucracy that procrastinates via mortoria, in effect deciding not to decide. Those who have been chosen to protect this country and insure its prosperity should face up to these realities and make a real commitment to insure the well-being of America.

The moratoria we are suffering under do not serve the public interest, and must be abolished.

You are here to assess the impacts of OCS development on small business. I am here to tell you those impacts are substantial.

Let me close with this true story. While specific to my segment of the industry it is typical and applies widely in assessing the current situation.

Congress adopted the Outer Continental Shelf Lands Act and mandated expedient development of our offshore energy resources. Adequate equipment was available to do the job. After the oil embargos of the 70s, the President and DOI recognized the necessity of protecting ourselves by identifying our reserves as quickly as possible and began preparation of an accelerated development plan.

Accelerated development would require more equipment and services "to meet the challenge" and industry answered the call. Established operators expanded -- families like ours with experience and know-how saw an opportunity for a small piece of the action -- after all, this was a project demanded by Washington.

While the rest of the country struggled with a deep recession, the deep south went to work. Drilling companies contracted for new state-of-the-art rigs, boat companies scheduled shipyards for new vessel construction. Lenders all over the country also answered the call. Millions upon millions of dollars were committed ... not only to the major companies who already had good lines of credit but to many of us who believed in the American dream and our elected lawmakers.

In return for our faith and commitments we got moratoria instead of jobs. Moratoria that wiped out the need for new rigs or boats or expanded pipeyards or improved docks or increased stocks and supply inventories.

At first some of the new equipment went to work, replacing older boats. The rest sat at the dock demanding day rates that would meet the debt service and pay expenses. Then the price cutting started, as moratoria were extended yet another year.

The lenders, who had been so eager to help us meet the challenge thrown down by Washington, began to look for creative ways to defer full debt service ... deferred payments, reduced payments, interest only, deferred interest. The moratoria was extended another year. Hope of "hanging on" faded -- repossessions had begun.

Today, every port that deals with OCS development is stacked with idle equipment most of it repossessed by banks and insurance lenders from coast to coast. One major midwest lender alone has repossessed $23 million in new vessels. The list of major lending institutions and local banks alike who put confidence in the plan developed on Capitol Hill only to be forced at last to foreclose is lengthy.

Hundreds of boats sit in storage harbors, canals, back barges and marinas with little or no hope of utilization in the foreseeable future if the moratoria are not lifted.

Dozens of small operators are barely hanging on, if not already dispossessed, bankrupt, ruined. Majors are merging.

Several boats in California have been repossessed, while others were returned to the Gulf only to be repossessed or, at best, are sitting at the dock collecting barnacles. Still other California operators may well be next.

Yes, Washington sent the signal, industry got down on the line and someone called time out.

NOW, you ask if the current political climate surrounding OCS development impacts small business? The record speaks for itself.

PREPARED STATEMENT OF STANLEY A. DASHEW, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, OMNITHRUSTER, INC.

Mr. Chairman, my name is Stanley A. Dashew and I serve as Chairman and Chief Executive Officer of OMNITHRUSTER, Inc., 9515 Sorensen Avenue, Santa Fe Springs, California.

OMNITHRUSTER is a small business, employing 34 people. We have developed unique jet thrusters for positioning, maneuvering and propelling ships of all types. Our little company, the holder of numerous patents, has installations aboard ships as large as the 50,000-ton Exxon tankers running from the Hondo platform off Santa Barbara to Baytown, Texas to as small as 100-foot pilot boats. OMNITHRUSTER systems are utilized on seismic research vessels, owned and operated by Western Geophysical and others, on a product barge owned by Chevron, on supply boats and on many other vessels. Our company was built by entrepreneurs without government assistance through our use of subcontractors. We have created many jobs -- about three for each person employed by us. We are proud of the part our small company has played in the development and production of oil in the offshore areas.

I am testifying today on behalf of the National Ocean Industries Association. NOIA, a trade association based in Washington, D.C., seeks to preserve and advance the vital role private enterprise plays in developing our offshore resources while being consistent with sound environmental safeguards. Its more than 450 member companies represent a diverse set of businesses. NOIA companies include drilling contractors, oil and gas producers, equipment suppliers, and those involved in transportation, communication, navigation, construction, fabrication and finance.

All of these companies have been actively supporting accelerated but orderly development of our offshore oil and natural gas resources as critically important to the energy future and economic well-being of both California and the nation. And they have consistently opposed leasing moratoria and other obstacles to such development.

Since late 1983, NOIA has been carrying out a national pro-leasing program built on these ongoing efforts and drawing on company resources. The program is an organized educational effort to inform members of Congress, the media, and the American public on the need for offshore oil and gas development. The program is not limited to Washington or the coastal states, but rather is a national effort reflecting a national concern.

Mr. Chairman, the witnesses at today's hearing will address in detail the vital contribution that offshore oil and gas development can make in increasing our nation's energy self-sufficiency and reducing its dependence on oil imports. Suffice it to say that the United States remains vulnerable today to cut-offs of imported oil as it was during the 1970s, when Americans endured supply shortages, long gasoline lines and soaring prices.

Many studies from public and private sources outside the petroleum industry agree that much of this country's future oil and natural gas is beneath the submerged lands in the Atlantic, Pacific, the Gulf of Mexico and Alaskan waters. Under the best circumstances, however, it will take many years to explore the most promising offshore areas and to develop the oil and gas that are discovered there.

Unfortunately, recent actions by the Congress are blocking efforts to find and produce much of our offshore oil and gas resources. In recent years, the Congress has imposed a series of so-called moratoria on leasing specific federal offshore areas for oil and gas exploration. The areas placed off limits contain some of the brightest American prospects for major new discoveries. Such actions by the Congress represent a dangerous risk to the nation's energy future.

Mr. Chairman, we believe the Congress erred last year in renewing the leasing moratoria covering offshore California and the Georges Bank area off New England. But, in so acting, Senate and House conferees stated in their report that they "will not continue such blanket moratoria in future years unless a case can be made that the prelease negotiation process with the Department of the Interior is inadequate to ensure that all resource values and Department of Defense needs are provided proper consideration and protection in specific areas, and then such moratoria will not exceed the specific limit of such areas."

We second these views and we wish to state that, in our view, the Department of the Interior's prelease negotiation process has been quite successful in balancing offshore resource needs and the interests of the state and local communities. Thus, we see no reason for renewal or expansion of the moratoria in 1985.

Mr. Chairman, those who oppose offshore exploration and production of oil and gas for environmental reasons ignore the record of the industry. Since drilling began off the shoreline of California in the late 1890s, more than 31,000 wells have been drilled in U.S. waters. Wells offshore have produced more than 10 billion barrels of liquid petroleum and more than 75 trillion cubic feet of natural gas. Yet only one spill from an offshore platform in U.S. waters has resulted in significant amounts of oil reaching shore. Damage from that spill, in the Santa Barbara (California) Channel 16 years ago, was temporary and the area quickly returned to normal.

Moreover, drilling and production technologies have greatly improved since 1969. Strict government regulations and industry standards are in place and enforced, further assuring environmental protection.

My hobby, Mr. Chairman, is ocean sailing. Both my son and I have sailed across numerous oceans. All the Dashew children and grandchildren love the sea. No family fights more fiercely for a clean ocean. And we carry this fight for clean seas to our business.

The machines which my company builds were designed so that there are no oil lubricated bearings in contact with sea water -- thus eliminating any possibility of even a drop of oil being spilled from our thrusters during maneuvering around offshore platforms, storage tankers, or from seismic ships or supply vessels utilized offshore. Many others in our industry have taken similar measures. The record proves that our industry recognizes its responsibility.

Mr. Chairman, development of America's offshore oil and gas resources is vital to the future of the oilfield service industry which is currently experiencing one of the most serious recessions in U.S. history. The basic problem is over-capacity caused by lower than expected oil and gas prices and slower than expected development of the outer continental shelf.

"Stacked" drilling rigs are only the point of a pyramid of manufacturing, supply and service activities which support them, and today there are tens of thousands of laid-off employees along the various links in this economic chain. They include drilling crews, seamen, steelworkers, construction personnel, and skilled and unskilled workers who are associated with a myriad of large and small oilfield equipment manufacturing companies. These people look to the Department of the Interior's Five-Year Leasing Schedule as offering hope of recovery to the oilfield service industry and hope of getting their jobs back.

Companies and employees realize that economic recovery in the oilfield service industry cannot be sustained if limited to one market, namely the Gulf of Mexico. Both the industry's recovery and its future growth are tied to the opening up of exploration offshore California and in other OCS areas.

Mr. Chairman, I should stress that the current and continuing imbalance in the development of OCS petroleum resources is at odds with Section 18 of the OCS Lands Act Amendments, adopted by the Congress in 1978, which provides for "an equitable sharing of development benefits and environmental risks among the various regions."

Right now, there is a decided regional imbalance. To date, more than 95 percent of the wells drilled in the federal OCS have been drilled in the Gulf of Mexico. By way of contrast, some 85 percent of the California OCS is off limits to oil and natural gas leasing because of offshore leasing moratoria.

Mr. Chairman, let me tell you how the moratoria in California has hurt our company and those small businesses that support us as subcontractors. Seismic vessels that were going to be built for exploration work off the California coast are not being built. Each of those vessels would normally have one or more thrusters aboard. A recent contract for our system on a similar-sized German research vessel totaled $300,000. Global Marine had specified an OMNITHRUSTER system on an offshore drilling rig. The project was cancelled last year. That contract would have been approximately $3,500,000. Negotiations for installation of our system on supply boats for use to service offshore drilling rigs and other offshore operations terminated. Loss of business for each vessel is a loss of $100,000 to $200,000 each. The supply of systems and equipment to the petroleum business -- once the brightest star on our horizon -- has been relegated to the position of "some day." Meanwhile the men and women who would have been employed to build and maintain that equipment are searching elsewhere.

The Five-Year Leasing Schedule, mandated by the Congress, sought to correct this imbalance. The moratoria threaten to perpetuate the imbalance. In short, the moratoria process legalizes the inequity.

Mr. Chairman, we urge your Subcommittee to carefully consider the major energy and economic consequences of renewal or expansion of offshore moratoria. We hope the Congress as a whole will move with extreme caution on this issue. We cannot afford to take hasty, ill-considered action which repeat the mistakes of the past.

PREPARED STATEMENT OF GARY A. PATTON, SUPERVISOR, THIRD DISTRICT, BOARD OF SUPERVISORS, COUNTY OF SANTA CRUZ, SANTA CRUZ, CA

BOARD OF SUPERVISORS
(408) 425-2201

COUNTY OF SANTA CRUZ

GOVERNMENTAL CENTER
701 OCEAN STREET SANTA CRUZ, CALIFORNIA 95060-4069

DAN FORBUS (FIRST DISTRICT)
ROBLEY LEVY (SECOND DISTRICT)
GARY A. PATTON (THIRD DISTRICT)
E. WAYNE MOORE, JR. (FOURTH DISTRICT)
JOE CUCCHIARA (FIFTH DISTRICT)

March 26, 1985

The Honorable Charles Stenholm, Chairman
Subcommittee on Energy, Environment/Small Business
Room B-363, Rayburn House Office Building
Washington, D.C. 20515

RE: PROPOSED OUTER CONTINENTAL SHELF OIL DRILLING MORATORIUM

(LETTER TO BE INCLUDED IN THE APRIL 10, 1985 HEARING RECORD OF THE SUBCOMMITTEE ON ENERGY, ENVIRONMENT/SMALL BUSINESS)

Dear Chairman Stenholm and Committee Members:

I am writing to let you know my support, and our County's support, for an outer continental shelf oil leasing moratorium, to affect northern and central California, as proposed as a "rider" on the Department of Interior Appropriations Bill for fiscal year 1986, and as further proposed in legislation recently introduced, or shortly to be introduced, in the United States Congress.

We believe that it is "good business" for the Congress to help focus efforts to develop outer continental shelf oil drilling to areas where necessary infrastructure is already present, before opening up new "frontier" areas for exploration, leasing, and development. Our County, and most of the central and northern California coast, is sustained by its agriculture, tourism, and fishing industries. All three of these industries could be very significantly impacted, and adversely impacted, by oil leasing, production, and development efforts.

We believe that an appropriate national policy to balance the needs of the states and local communities with the overall interest in developing the energy resources of the outer continental shelf is to "focus" industry and national efforts in areas of high proven resource, where onshore infrastructure is already present. Our local industries will be adversely impacted if the Congress fails to enact an appropriate moratorium for northern and central California. We hope your Committee, in reviewing this matter during its April 10, 1985 hearing, to be held in Los Angeles, will consider the adverse economic impacts on our region of any proposal to proceed with oil leasing and development in northern and central California.

Thank you for your concern in this matter.

Very truly yours,

GARY A. PATTON, Supervisor
Third District

Prepared Statement of Dr. Mel Harte, Sierra Club Member of the Outer Continental Shelf Environmental Coalition, Berkeley, CA

Outer Continental Shelf Environmental Coalition

Rep. Charles Stenholm
Chairman
Subcommittee on Energy, Environment/Small Business
B-363 RHOB
Washington, D. C. 20515

March 28, 1985

Dear Rep. Stenholm,

We would like to emphasize that the OCS Environmental Coalition, a group of environmental organizations concerned with the coastal environment, is in favor of continuing the moratorium (contained in the provisions of the FY 1986 OCS Moratorium) on the development of the outer continental shelf in California. The moratorium currently protects several coastal commercial activities involving small businesses, such as tourism, whale watching, fishing, and aquaculture, as well as equally important and costly activities such as environmental monitoring and scientific research, from the adverse economic impacts that oil and gas development inevitably entail.

Currently, the coast is recovering from the effects of the Puerto Rican oil spill. The spill response of the state and polluting parties illustrated that neither California nor the oil industry has devised effective means of cleaning up and mitigating oil spills - over 50% of the spill was not picked up, and the sunken stern continues to leak oil into a marine sanctuary. Shellfish monitoring and marine biological research activities, representing millions of dollars worth of time and effort, were disrupted.

Until the state and industrial sector can demonstrate that it can responsibly address the consequences of the mishaps entailed with oil/gas OCS development so that current small coastal businesses are protected from adverse economic impacts that can potentially result from oil/gas OCS development, the major economic impact of the moratorium is beneficial to many existing small coastal businesses that depend upon a clean marine environment.

Please include this letter in the official record for the April 10 Los Angeles hearing, and keep me informed of the results of that hearing. Thank you.

Sincerely,

Mel Harte

Dr. Mel Harte
Sierra Club member of the OCS Coalition
1180 Cragmont Ave
Berkeley CA 94708

4-0212875113 04/23/85 ICS IPMRNCZ CSP POMH
7148977003 POM TDRN HUNTINGTON BEACH CA 20 04-23
0139P EST 13:42 EST

western union

Telegram

REPRESENTATIVE CHARLES STENHOLM
CAPITOL ONE DC 20515

4/10/85 HEARING RECORD

WE SUPPORT CONTINUATION OF THE MORATORIUM ON NEW OFFSHORE DRILLINGS IN SENSITIVE AREAS OFF OF CALIFORNIA'S COAST.

AMIGOS DE BOLSA CHICA
PO BOX 1563
HUNTINGTON BEACH CA 92647

13:42 EST

IPMPOMX WSH

MARIN CONSERVATION LEAGUE
A non-profit corporation founded in 1934

1330 Lincoln Avenue, San Rafael, CA 94901
Office telephone: 456-1912

Past and Present
Angel Island
Mt. Tamalpais
Samuel Taylor Park
Bolinas Lagoon/Kent Island
Stinson Beach
Drakes Bay Beach
Tomales Bay
Pt. Reyes National Seashore
Richardson Bay Sanctuary
Corte Madera Tidelands
Strawberry Tidelands
Bothin Marsh
Heerdt Marsh
The Northridge
Rancho Olompali
Marin's Agricultural Lands
Marin's Dairy Farms
Coastal Protection
Golden Gate National Recreation Area
Offshore Oil Drilling
Marin Planning Issues
Wild and Scenic Rivers
S. F. Bay Protection

President
Peter Behr

Executive Director
Karin Urquhart

Public Education Coordinator
Sallyanne Wilson

Financial Development Coordinator
Lynne McClellan-Loots

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Warren Levinson
Pamela Lloyd
Alex MacMillan
Willa Marten
Wallace McOuat
Ralph Mead
Frank Moncrief
Bill Noble
Carol Peltz
Irv Perlman
Bob Raab
Otto Reutinger
Salem Rice
Peter Russell
Anne Marie Shanks
Clifford V. Shireman
Jean Starkweather
Susan Stompe
Gordon Strawbridge
Rosalie Webb
Theodore C. Wellman
Bruce F. Wolfe
Chip Wray

April 11, 1985

Representative Charles Stenholm, Chairman
Subcommittee on Energy, Environment, and Safety
Issues Affecting Small Business
Rayburn Building, Room B-363
Washington, D.C. 20515

FOR INCLUSION IN THE APRIL 10 HEARING RECORD

Dear Representative Stenholm,

The Marin Conservation League strongly supports continuation of the moratorium on new offshore drilling in sensitive areas off the California coastline.

Many regional economies are coastal dependent and rely upon marine resources for their existence. The OCS Moratorium is needed to protect our tourism, commercial fishing and other businesses of this nature.

Sincerely,

Peter Behr

Peter Behr
President

/ac

To preserve and protect the natural assets of Marin County for all people

BOARD OF SUPERVISORS

COUNTY GOVERNMENT CENTER • SAN LUIS OBISPO, CALIFORNIA 93408 • 805-549-5450

Members of the Board
JERRY DIEFENDERFER
WILLIAM B. COY
EVELYN DELANY
RUTH E. BRACKETT
CARL HYSEN

April 17, 1985

Honorable Charles Stenholm
Chairman, Subcommittee in Energy,
Environment & Safety Issues Affecting
Small Business
Room B-363 Rayburn
Washington, DC 20515

FOR INCLUSION IN THE APRIL 10, 1985 HEARING RECORD

Dear Chairman Stenholm:

I support continuation of the Moratorium on new offshore drilling in sensitive areas of the California Coast. Along the entire coast of San Luis Obispo County there are very successful tourist and fishing industries. These are both coastal dependent and would be hurt by offshore oil wells.

The conflict between fishing and oil activity is well documented. Seismic testing drives the fish from an area for a few days. Underwater oil equipment damages fishing nets and fishermen are never reimbursed for the full value of their damage.

Tourism does not thrive in areas with a lot of oil activity. For example, Carpenteria, with its lovely beaches, is almost devoid of tourist activities. San Luis Obispo County has a fine reputation as a place to come to relax in quiet and clean air. A petroleum industry would ruin all that, with their noise, lights, and awful smell.

Oil would also bring a new element into our communities which may demand resources that we don't have and may not choose to provide. By this I mean roads to accommodate many large trucks, harbor moorings for ships, and industrial areas with the possibility of negative air quality impacts.

If you would like clarification on any of these points, please contact me.

Sincerely,

Evelyn Delany

EVELYN DELANY
Supervisor, District 3

ED/bkm
(5596v)

Prepared Statement of Mrs. Eleanor Lewallen, Co-owner, Mendocino Sea Vegetable Co., Navarro, CA

My husband and I own and operate a small business, the Mendocino Sea Vegetable Company. We hand harvest lightly for sustained yield eight varieties of edible sea vegetables. We and our customers highly value and insist on a pollution-free, healthy ocean. We are fortunate and blessed to have a beautiful, healthy, very rich marine environment which affords some of the highest quality sea vegetables in the United States and probably the whole world.

We support the OCS moratoriums now being considered by your committee for FY 1986. In fact, we support the upcoming bill which would protect our ocean until the year 2000.

All of our county supervisors voted to support the moratoriums and prevent any offshore exploration (McClelland Engineers is the current threat) and subsequent drilling. Even exploration, with dumping of toxic wastes, would degrade our environment.

We all need to be stewards of our planet: the earth, oceans, and inhabitants. It is our generation, you and I, who must change the course of these ecocidal profit crazed oil and other companies who can't see beyond their greedy, hungry pockets.

Our livelihood depends on the ocean. All of our coastal neighbors oppose offshore drilling--those who depend on the ocean (fishers) as well as those who depend on tourist business.

We know that Western Oil and Gas hired Scott-Mixner to stack the April 10 hearing. We know that in actuality, offshore drilling will not help our economically depressed areas or members of minority groups. Don't be fooled--and don't be bullied by corporating and paid oil lobbyists. Represent the people who live on and care about our earth and the health of the beautiful oceans.

Whale Center
NATIONAL OFFICE
3929 Piedmont Avenue, Oakland, California 94611
(415) 654-6621
WE WORK FOR THE WHALES AND THEIR OCEAN HABITAT

Officers
Maxine McCloskey, President
Ronn Storro-Patterson, Vice-President
J. Wallace Oman, Secretary
Bruce K. Thiesen, Treasurer

Board of Directors
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Advisors
Dr. Albert Baez
Dr. Sylvia A. Earle
Larry Foster
Ann Knoll
Robert McNally
Stephanie Spivey
Denny Wilcher
Paul Winter

Executive Director
Bert Schwarzschild

April 19, 1985

Rep. Charles Stenholm, Chairman
Subcommittee on Energy, Environment
and Safety Issues Affecting Small Businesses
Room B-363 Rayburn,
Washington D.C. 20515

Dear Sir:

We are writing to ask you to support continuation of the Moratorium on new offshore drilling in sensitive areas off of southern California and central and northern California. The OCS Moratorium is needed to protect coastal-dependent regional economies based on tourism, commercial fishing, and other businesses which rely on the productivity of the marine environment. Enclosed is a copy of comments we submitted to Rep. Sidney Yates in support of the continued Moratorium. Please include these in the April 10 hearing record.

Thank you for your attention to this matter.

Sincerely yours

David Gold
Environmental Protection Analyst

Enclosure

Whale Center
NATIONAL OFFICE
3929 Piedmont Avenue, Oakland, California 94611
(415) 654-6621

WE WORK FOR THE WHALES AND THEIR OCEAN HABITAT

"Unless nations collectively and individually take bold and imaginative steps toward improved protection of the environment, the world must expect a troubled entry into the 21st century."

From the Global 2000 Report to the President

Officers
Maxine McCloskey, President
Ronn Storro-Patterson, Vice President
J. Wallace Oman, Secretary
Bruce K. Thiesen, Treasurer

Board of Directors
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Ronn Storro-Patterson

Advisors
Dr. Albert Baez
Larry Foster
Ann Knoll
Robert McNally
Stephanie Spivey
Dennis Wilcher

Executive Director
Bert Schwarzschild

March 5, 1985

Rep. Sidney Yates
B-308 Rayburn HOB
Washington, D.C. 20515

Dear Sir:

The Whale Center is a non-profit conservation organization dedicated to the protection of whales and their ocean habitat. As such, we are committed in our support for the continuation of both California Outer Continental Shelf Moratorium provisions for another year in the fiscal year 1986 Interior Appropriations Bill. We ask that this letter be included in the hearing record.

Despite the Congressional Moratorium, we are deeply concerned with the Interior Department's aggressive perseverance to drill along the California coast. Such aggressiveness is evidenced by the Interior Department's (Minerals Management Service) recent Geological and Geophysical (G&G) permit issuance to McClelland Engineers of Ventura, California.

In issuing this permit, Interior not only defied the moratorium, but also failed to consult Section 7 of the Endangered Species Act (E.S.A.). Furthermore, Minerals Management Service (MMS) violated the intent and letter of the National Environmental Policy Act (NEPA) by failing to prepare either an environmental impact statement (EIS) or an environmental assessment (EA) on the McClelland proposal. Additionally, MMS held no public hearings on the proposal. Such blatant disregard for public input and the laws of this land has angered local governments, environmental groups and citizens alike.

The Whale Center is also angered by the dialogue emanating from Interior. A top Interior official has publicly stated that "the highest priority at Interior this year is removal of the standing moratorium on Outer Continental Shelf leasing in California waters." Overtures made by local California officials to sit down and "talk" prior to Interior's release of the new five-year leasing program have met with an Interior response of "We don't even want to talk to you people." This attitude is completely contrary to the recommendations which the Joint House-Senate Conference inserted in the Committee Report upon final approval of the FY 1985 Interior Bill.

Finally, the Northern and Central California Coast is still comprised of sensitive biological communities, highly productive fishing grounds, endangered species and an irreplaceable natural beauty. To this date, Interior has made no effort to study sensitive biological communities nor have such studies been authorized. The Interior Department doesn't know where the most sensitive locations of benthic invertebrates, plankton, benthic and other fishes, marine mammals or birds are located. Nor have areas of rare or endangered species been delineated. Without adequate knowledge of the species present, it is impossible to reasonably assess the potential effects of any proposed OCS activities on any organisms present.

We continue to oppose the Interior Department's past and current trend of "Drill Now, Study Later". We do not want to fall into the trap of making bad decisions. Yet Interior, in granting McClelland's G&G permit without adequate baseline knowledge, would seem to continue to support the policy of "Drill Now, Study Later". This policy is wrong and dangerous, and we do not support it. Therefore, we ask you to support re-authorization of the Interior Appropriations Moratorium.

Thank you for your attention to this matter.

Sincerely yours,

David Gold
Environmental Protection Analyst

ADMINISTRATIVE OFFICE

COUNTY OF SANTA CRUZ

GOVERNMENTAL CENTER

701 OCEAN STREET, ROOM 520, SANTA CRUZ, CA 95060

(408) 425-2115

April 12, 1985

Rep. Charles Stenholm, Chairman
Subcommittee on Energy, Environment & Safety Issues
Affecting Small Business
Room B-363 Rayburn Bldg.
Washington, D.C. 20515

Dear Rep. Stenholm:

Please include the attached materials as part of the hearing record for the April 10, 1985 field hearing in the City of Southgate on California Outer Continental Shelf Moratorium issues.

As these materials make clear, there is a very significant level of support from public agencies and community groups throughout California for continuation of both the central and northern California and the southern California provisions which have previously been enacted by Congress as part of the Interior Appropriations Act. It is important that this extensive support be part of the hearing record before your Subcommittee.

Thank you.

Sincerely,

Richard A. Charter

Richard A. Charter
Coordinator for Local Governments

SUPPORT FOR CONTINUATION OF CALIFORNIA OCS MORATORIUM PROVISIONS

* * * *

RESOLUTIONS SUPPORTING CONTINUATION OF THE FY 1985 CALIFORNIA OCS MORATORIUM PROVISIONS IN THE FY 1986 INTERIOR APPROPRIATIONS BILL

* * * *

Agency pages

LOCAL GOVERNMENTS

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Association of Monterey Bay Area Governments, letter 5-6

City and County of San Francisco, Mayor Dianne Feinstein 7

City of San Clemente, resolution 8

City of Pacifica, letter 9

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City of Pt. Arena, resolution and letter 12-13

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STATE AGENCIES AND LEGISLATORS

California Coastal Commission, letter 15

California State Legislature:
Joint Committee on Fisheries and Aquaculture, letter 16-17

ORGANIZATIONS:

Pacific Coast Federation of Fishermen's Associations, ltr. 18

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Whale Center, letter 27-28

Save Our Shores, letter 29

League of Women Voters of California 30

MONTEREY COUNTY

INTERGOVERNMENTAL AFFAIRS

(408) 757-1533 P.O. BOX 180, SALINAS, CALIFORNIA 93902

MICHAEL D. JOHNSON
ASSISTANT COUNTY ADMINISTRATIVE OFFICER

EXPRESS MAIL

March 5, 1985

Congressman Sidney Yates
B-308 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Yates:

Enclosed is a Resolution by the Monterey County Board of Supervisors in support of the California OCS Moratorium for fiscal year 1986.

The Board of Supervisors of Monterey County considers continuation of Congressional protection of our coast to be critical to the economic well-being of our region.

Thank you for your assistance and support for this important action.

If I can provide additional information, or if you have any questions, please call me at (408) 757-1533.

Sincerely,

Michael D Johnson

Michael D. Johnson
Assistant County Administrative Officer
- Intergovernmental Affairs

MDJ:JBC:MH

Enclosure

cc: Rep. Les AuCoin, 2159 RHOB, Washington, D.C. 20515
Rep. Vic Fazio, 1421 LHOB, Washington, D.C. 20515
Rep. Norman Dicks, 2429 RHOB, Washington, D.C. 20515
Senator Pete Wilson, 720 SHOB, Washington, D.C. 20510
✓bcc: Richard Charter, Local Government Coordination Program
6947 Cliff Avenue, Bodega Bay, CA 94923

Before the Board of Supervisors in and for the
County of Monterey, State of California

Resolution in Support of)
California OCS Moratorium)
for Fiscal Year 1986 . . . .)

Whereas, Congress has adopted moratorium provisions precluding the Department of Interior from engaging in OCS activities in specific sensitive California offshore areas through fiscal year 1985; and

Whereas, continuation of these California OCS protections is being considered by the Congress during deliberations on the fiscal year 1986 Interior Appropriations bill; and

Whereas, the County of Monterey considers continuation of Congressional protection to be critical to the economic well-being of our coastal region; and

Therefore, be it resolved, that the County of Monterey hereby adopts this resolution in support of continuation of the central northern California OCS provision, as well as continuation of the southern California OCS provision, by Congress as part of the fiscal year 1986 Appropriations bill; and

Be it further resolved, that this resolution be transmitted in a timely fashion to the appropriate Members of Congress.

PASSED AND ADOPTED this 5th day of March, 1985, upon motion of Supervisor Karas, seconded by Supervisor Strasser Kauffman, and carried by the following vote, to-wit:

AYES: Supervisors Del Piero, Petrovic, Karas and Strasser Kauffman.

NOES: None.

ABSENT: Supervisor Shipnuck.

I, ERNEST A. MAGGINI, County Clerk and ex-officio Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof at page -- of Minute Book 56, on March 5, 1985.

Dated: March 5, 1985

ERNEST A. MAGGINI, County Clerk and ex-officio
Clerk of the Board of Supervisors, County of Monterey,
State of California.

By Nancy Lukenbill Deputy.

[illegible]

3

RESOLUTION NO. 46608

BOARD OF SUPERVISORS
COUNTY OF SAN MATEO, STATE OF CALIFORNIA
RESOLUTION IN SUPPORT OF CALIFORNIA OCS MORATORIUM
FOR FISCAL YEAR 1986

* * * * * * * * * * * *

WHEREAS, Congress has adopted moratorium provisions precluding the Department of Interior from engaging in OCS activities in specific sensitive California offshore areas through Fiscal Year 1985; and

WHEREAS, continuation of these California OCS protections is being considered by the Congress during deliberations on the Fiscal Year 1986 Appropriations Bill; and

WHEREAS, the County of San Mateo considers continuation of Congressional protection to be critical to the economic well-being of our coastal region; and

WHEREAS, although previous Interior Appropriation Bills have successfully protected the Northern and Central California Coast, except that the language may need to be strengthened to prohibit test drilling in moratoria areas; and

THEREFORE BE IT RESOLVED, that the County of San Mateo hereby adopt this resolution in support of continuation of the Central and Northern California OCS provision, as well as continuation of the Southern California OCS provision except as recommended for change above, by Congress as part of the Fiscal Year 1986 Interior Appropriations Bill; and

BE IT FURTHER RESOLVED, that this resolution be transmitted in a timely fashion to the appropriate Members of Congress.

4

Regularly passed and adopted this 5th day of March, 19 85.

AYES and in favor of said resolution:

Supervisors: K. JACQUELINE SPEIER

JOHN M. WARD

ANNA G. ESHOO

TOM NOLAN

WILLIAM J. SCHUMACHER

NOES and against said resolution:

Supervisors: NONE

Absent Supervisors: NONE

(SEAL)

K. JACQUELINE SPEIER
Chair, Board of Supervisors
County of San Mateo
State of California

ATTEST:

EUNICE M. BRECHT
Acting Clerk of the Board

STATE OF CALIFORNIA)
)
COUNTY OF SAN MATEO)

ORLENE FERRANDO, Deputy Clerk, Board of Supervisors, does hereby certify that the above and foregoing is a full, true and correct copy of Resolution No. 46608 entered in the minutes of said Board.

In Witness Whereof, I have hereunto set my hand and the seal of said Board this 5th day of March, 19 85.

Orlene Ferrando
ORLENE FERRANDO,
Deputy Clerk, Board of Supervisors

ambag
ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS
MAIL ADDRESS P.O. BOX 190, MONTEREY, CALIFORNIA 93942 • TELEPHONE (408) 624-2117
OFFICE LOCATION: 23845 HOLMAN HIGHWAY, SUITE 227

February 22, 1985

Honorable Sidney Yates
House of Representatives
B-308 Rayburn HOB
Washington, DC 20515

Re: California OCS Moratorium Provisions

Dear Congressman Yates

The Board of Directors of the Association of Monterey Bay Area Governments strongly urges your support to renew the offshore drilling moratorium along California's coast and requests that this letter be included in the hearing record.

The moratorium is as necessary today as it was one year ago. The need to protect air and water quality, biologic resources, the visual integrity of coastal areas, tourist based economies and commercial fishing remains unchanged.

The Department of Interior is no closer to responding to local concerns on key issues than it was when the last moratorium was put in place. Formalized procedures for local participation in the leasing and permitting process do not exist except through the environmental review process at the permit stage. This has been further aggravated by the exclusion of OCS oil and gas lease sales from the Federal consistency requirements of the Coastal Zone Management Act. Additionaly, while the Mineral Management Service is currently considering amendments to OCS air quality rules, proposals under discussion do not require the same controls on activities in federal waters as required onshore under the Federal Clean Air Act. This continues to shift the burden of meeting federal requirements to local, regional and state regulatory agencies and to industries onshore.

For these reasons, we continue to support a moratorium precluding the Department of Interior from engaging in OCS activities along the central and northern California coast and specific sensitive areas offshore southern California.

Thank you for your consideration

Sincerely,

Nicolas Papadakis
Acting Executive Director

cc: Rep. Les AuCoin
Rep. Vic Fazio
Rep. Norman Dicks
Senator Pete Wilson
Rep. Leon Panetta

OFFICE OF THE MAYOR
SAN FRANCISCO

DIANNE FEINSTEIN

February 25, 1985

Hon. Pete Wilson
The United States Senate
Senate House Office Bldg., Rm 720
Washington, DC 20510

Dear Senator ~~Wilson:~~ Pete,

I am writing you to support the continuation of the OCS Moratorium on offshore drilling. As you are aware, the moratorium is up for renewal in Congress and hearings are being held on the fiscal year 1986 Interior Bill in late February. The moratorium has been applied to offshore water from Morro Bay to the Oregon border for the past four years. Off of Southern California, a second moratorium provision has, for the last two years, protected Santa Monica Bay, nearshore tracts from Laguna Beach to San Diego, the Channel Islands National Marine Sactuary, and the preserve and buffer zone adjacent to the City of Santa Barbara.

It is essential that the moratorium be continued in order to help protect our San Francisco Bay's economy. We have already suffered the consequences on a oil spill in the Bay. Tourism and commercial fishing are vital parts of our economy. On a statewide basis, the economic well-being of our entire coastal region needs your support and protection.

I urge you to vote yes in support of the continuation of the Central and Northern California OCS provision, as well as continuation of the Southern California OCS provision, by Congress as part of the fiscal year 1986 Interior Appropriation Bill.

Sincerely yours,

Dianne

Dianne Feinstein
Mayor

DF/LC:az

RESOLUTION NO. 26-85

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA IN SUPPORT OF CONTINUATION OF CALIFORNIA OCS MORATORIUM BY CONGRESS AS PART OF THE FISCAL YEAR 1986 INTERIOR APPROPRIATIONS BILL

WHEREAS, Congress has adopted moratorium provisions precluding the Department of Interior from engaging in OCS activities in specific sensitive California offshore areas through fiscal year 1985; and

WHEREAS, continuation of these California OCS protections is being considered by the Congress during deliberations on the fiscal year 1986 Interior Appropriations bill; and

WHEREAS, the City of San Clemente considers continuation of Congressional protection to be critical to the economic well-being of our coastal region.

NOW, THEREFORE BE IT RESOLVED that the City of San Clemente hereby adops this resolution in support of continuation of the central and northern California OCS provision, as well as continuation of the southern California OCS provision, by Congress as part of the fiscal year 1986 Interior Appropriations bill.

BE IT FURTHER RESOLVED that this resolution be transmitted in a timely fashion to the appropriate Members of Congress.

APPROVED, ADOPTED, and SIGNED this 6th day of March, 1985.

MAYOR of the City of San Clemente,
California

(SEAL)

ATTEST:
CITY CLERK of the City of
San Clemente, California

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS.
CITY OF SAN CLEMENTE)

I, MAX L. BERG, Clerk of the City of San Clemente, California, hereby certify that the foregoing is a true and correct copy of a Resolution of the City Council of said City numbered 26-85, adopted by the City Council of said City on the 6th day of March, 1985, and was so passed and adopted by the following stated vote, to wit:

AYES: Council Members - DIEHL, KOESTER, LIMBERG, MECHAM, AND CARR
NOES: Council Members - NONE
ABSENT: Council Members - NONE

and was thereafter on said day signed and approved by the Mayor of said City.

ATTEST:
CITY CLERK of the City of
San Clemente, California

9

CITY HALL • 170 SANTA MARIA AVENUE • PACIFICA, CALIFORNIA 94044

(415) 875-7300

Scenic Pacifica

MAYOR
Ginny Silva Jaquith

MAYOR PRO TEM
Charles D. B. Curry

COUNCIL
Peter Loeb
Jeannette Warden
Jon Galehouse

February 28, 1985

Honorable Sidney Yates, Chairman
House Subcommittee on Interior Appropriations
B-308 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Yates:

As you are aware, the moratorium provisions precluding the Department of Interior from engaging in OCS leasing activities in specific sensitive California offshore areas will expire at the end of fiscal year 1985. The continuation of the California OCS protection provisions is presently being considered by Congress in the fiscal year 1986 Interior Appropriations Bill being reviewed by the House Subcommittee on Interior Appropriations.

The City of Pacifica considers the continuation of Congressional protection from OCS activities along the California coast to be critical to the economic well-being of our coastal region. The Pacifica City Council strongly urges Congress to support the continuation of California OCS protection provisions as part of the fiscal year 1986 Interior Appropriations Bill.

It is our understanding that the House Subcommittee on Interior Appropriations will be considering this matter shortly. It is requested that this letter be included as part of the hearing record on this matter.

Sincerely,

Ginny Silva Jaquith
Mayor

cc: Senator Alan Cranston
Senator Pete Wilson
Congressman Tom Lantos
Congressman Les AuCoin
Congressman Vic Fazio
Congressman Norman Dicks
City Council
bcc: Richard Charter
bn

Path of Portolá 1769 — San Francisco Bay Discovery Site

City of Santa Cruz
CITY HALL ● 809 CENTER STREET
SANTA CRUZ, CALIFORNIA 95060

OFFICE OF THE CITY CLERK
ROOM 101
TELEPHONE (408) 429-3784

March 4, 1985

Mr. Richard Charter
Local Government Coordination Program
6947 Cliff Avenue
Bodega Bay, CA 94923

Dear Mr. Charter:

On behalf of the Santa Cruz City Council, I am forwarding to you a certified copy of Resolution No. NS-16,245 in support of California OCS Moratorium for Fiscal Year 1986. This resolution was passed and adopted by the City Council at its February 26, 1985 meeting.

Sincerely,

Patricia M. Kenyon

Patricia M. Kenyon, CMC
City Clerk

enclosure

RESOLUTION NO. NS-16,245

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SANTA CRUZ IN SUPPORT OF CALIFORNIA OCS
MORATORIUM FOR FISCAL YEAR 1986

WHEREAS, Congress has adopted moratorium provisions precluding the Department of Interior from engaging in OCS activities in specific sensitive California offshore areas through Fiscal year 1985; and

WHEREAS, continuation of these California OCS protections is being considered by the Congress during deliberations on the fiscal year 1986 Interior Appropriations bill; and

WHEREAS, the City of Santa Cruz considers continuation of Congressional protection to be critical to the economic well-being of our coastal region; and

THEREFORE, BE IT RESOLVED, that the City of Santa Cruz hereby adopts this Resolution in support of continuation of the central and northern California OCS provision, as well as continuation of the southern California OCS provision, by Congress as part of the fiscal year 1986 Interior Appropriations bill; and

BE IT FURTHER RESOLVED, that this Resolution be transmitted in a timely fashion to the appropriate Members of Congress.

PASSED AND ADOPTED this 26th day of February, 1985, by the following vote:

AYES: Councilmember - Mellis, Laird, Rotkin, Sears-Williams, Levine, Weed; Mayor Wormhoudt.

NOES: Councilmember - None.

ABSENT: Councilmember - None.

DISQUALIFIED: Councilmember - None.

APPROVED Mardi Wormhoudt
MAYOR

Attest Patricia M. Kenyon
City Clerk

THIS IS TO CERTIFY THAT THE ABOVE AND FOREGOING IS A
TRUE AND CORRECT COPY OF RESOLUTION NO. NS- 16,245
PASSED AND ADOPTED BY THE CITY COUNCIL ON
THE 26th DAY OF February, 1985.
Carol Leone
Deputy CITY CLERK

This is to certify that the above and
foregoing is the original document.
Resolution No. NS-16,245.
Patricia M. Kenyon
City Clerk

CITY of POINT ARENA

Incorporated 1908

247 Main Street, P.O. Box 67
Point Arena, California 95468

Telephone: 707 882-2334

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February 27, 1985

Richard Charter
Local Government Coordination Program
6947 Cliff Ave.
Bodega Bay, Ca. 94923

Gentlemen:

The City Council of the City of Point Arena passed the enclosed Resolution at their regular meeting held on February 26, 1985 supporting the continuation of the OCS moratorium for the fiscal year 1986.

Thank you,

Mary Spangler

Mary Spangler
Administrator/Clerk

enc:1

RESOLUTION NO. 5-85

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POINT ARENA IN SUPPORT OF CALIFORNIA OCS MORATORIUM FOR THE FISCAL YEAR 1986

WHEREAS, Congress has adopted moratorium provisions precluding the Department of the Interior from engaging in OCS activities in specific sensitive California offshore areas through fiscal year 1985; and

WHEREAS, continuation of these California OCS protections is being considered by the Congress during deliberations on the fiscal year 1986 Interior Appropriations bill; and

WHEREAS, the City of Point Arena considers continuation of Congressional protection to be critical to the economic well-being of our coastal region.

NOW THEREFORE BE IT RESOLVED that the City Council of the City of Point Arena hereby adopts this resolution in support of continuation of the central and northern California OCS provision, as well as continuation of the southern California OCS provision, by Congress as part of the fiscal year 1986 Interior Appropriations bill; and

BE IT FURTHER RESOLVED that this resolution be transmitted in a timely fashion to the appropriate Members of Congress.

Passed and adopted this 26th day of February, 1985 by the following Roll Call Vote:

AYES: Councilpersons Sudditn, Wasserman, Cardwell, DuPont and Spack

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

ATTEST:
Mary Spangle
City Clerk

Kay A. Spack
Mayor

MAILGRAM SERVICE CENTER
MIDDLETOWN, VA. 22645
07AM

Western Union Mailgram

4-0184615066002 03/07/85 ICS IPMRNCZ CSP SFOB
1 7078225953 MGM TDRN ARCATA CA 03-07 1225P EST

14

ARCATA CITY COUNCIL
736 F ST
ARCATA CA 95521

THIS IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE:

7078225953 POM TDRN ARCATA CA 36 03-07 1225P EST
PMS REPRESENTATIVE SIDNEY YATES RPT DLY MGM
CAPITOL ONE DC 20515
THE ARCATA CITY COUNCIL SUPPORTS CONTINUATION OF THE CENTRAL AND NORTHERN CALIFORNIA OCS PROVISION, AS WELL AS CONTINUATION OF THE SOUTHERN CALIFORNIA OCS PROVISION, BY CONGRESS AS PART OF THE FISCAL YEAR 1986 INTERIOR APPROPRIATIONS BILL.

ARCATA CITY COUNCIL
736 F ST
ARCATA CA 95521

12:26 EST

MGMCOMP

bcc: Richard Charter
cc: L. AuCoin
V. Fazio
N. Dicks
P. Wilson

TO REPLY BY MAILGRAM MESSAGE, SEE REVERSE SIDE FOR WESTERN UNION'S TOLL - FREE PHONE NUMBERS

State of California, George Deukmejian, Governor

California Coastal Commission
631 Howard Street, 4th Floor
San Francisco, California 94105
(415) 543-8555

February 27, 1985

Honorable Sidney Yates
U.S. House of Representatives
B-308 Rayburn, House Office Building
Washington, D.C. 20515

Dear Congressman Yates:

I am pleased that Congress is once again considering the prohibition of federal oil and gas leasing within selected areas of the Outer Continental Shelf. The Coastal Commission supported these restrictions in the 1985 fiscal year, and we see a continued need for these restrictions in the 1986 fiscal year.

During the early planning for Lease Sale 53 in 1980, the Department of the Interior under Secretary Andrus, deleted the four nothern California basins (Eel River, Bodega, Point Arena and Santa Cruz) from the sale because of severe environmental and land use impacts. The sale was to be limited to the Santa Maria Basin, which was estimated to contain approximately 85 percent of the oil resources. However, Secretary Watt later reversed this decision and decided to put the four basins back into the lease offering. Congress was then forced to intervene by placing limitations on the use of funds appropriated to support the Department of the Interior during fiscal year 1982. This action has been necessary in subsequent fiscal years to ensure the continued protection of the north coast, Santa Monica Bay, and areas offshore San Diego.

Although we believe that Congressional restrictions are not the best approach to offshore oil and gas lease planning, the Department of the Interior has not responded to Commission concerns or Congressional direction. In the absence of a commitment from the Department of the Interior to delete these sensitive areas from its five-year leasing program, Congressional limitations will again be necessary in the 1986 fiscal year.

Sincerely,

MICHAEL L. FISCHER
Executive Director

MLF/WT/np

cc: Senator Pete Wilson
Congressman Les AuCoin
Congressman Vic Fazio
Congressman Norman Dicks

16

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California Legislature

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CONSULTANTS

JAMES ROTE, PH.D.
ASSEMBLY STAFF
CONSULTANT

REBECCA K. STOLBERG
COMMITTEE SECRETARY

ROOM 2032
STATE CAPITOL
SACRAMENTO, CA 95814
(916) 445-3375
ATSS 8-485-3375

JOINT COMMITTEE ON FISHERIES AND AQUACULTURE

SENATOR BARRY KEENE
CHAIR

ASSEMBLYMAN SAM FARR
VICE CHAIR

March 6, 1985

Honorable Rep. Sidney Yates
B308 Rayburn HOB
Washington, D.C. 20515

Dear Rep. Yates:

Once again, we as California State Legislators are calling upon you to support the extension of the offshore drilling moratorium that has protected our sensitive coastal waters from exploration, leasing and drilling activities.

You have been supportive of our position in the past, and we hope you will be again. The threat to our coastal resources and economy is greater than ever.

Interior Secretary Donald Hodel has already publicly declared his intent to step-up the department's offshore leasing and oil development program. While he may be inclined to eliminate some sensitive California tracts from consideration, it is highly unlikely that he will voluntarily remove all tracts now protected by moratorium.

As you know, last year's moratorium language in the Interior Appropriations Bill included a Congressional directive urging the Department of Interior "to pursue a resolution of the long-term leasing status of these areas through continuing negotiations with the appropriate Congressional, state, and local officials..."

Interior has not pursued such good-faith discussions with state and local officials. In fact, the clear message we have from Interior officials is that they have no desire to talk. We are no closer to a reasonable solution today than we were a year ago.

Accordingly, we firmly believe that continuation of Congressional protection for California's sensitive coastal areas is imperative. We would like to see the moratorium extended to all California areas that are now covered; Morro Bay to Oregon border, Santa Monica Bay nearshore tracts from Laguna Beach to San Diego, the Channel Islands National Marine Sanctuary, and the preserve and buffer zone adjacent to the City of Santa Barbara.

Thank you for your kind consideration on this request.

Sincerely,

/s/

DAN HAUSER

DH/bw

cc: Rep. Les AuCoin, 2159 RHOB, Washington, DC 20515
Rep. Vic Fazio, 1421 LHOB, Washington, DC 20515
Rep. Norman Dicks, 2429 RHOB, Washington, DC 20515
Senator Pete Wilson, 720 SHOB, Washington, DC 20510

bcc: Richard Charter, Local Government Coordination Program,
6937 Cliff Avenue, Bodega Bay, CA 94923

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PACIFIC COAST FEDERATION OF FISHERMEN'S ASSOCIATIONS, INCORPORATED

3000 BRIDGEWAY BUILDING, SUITE 104 • (415) 332-5080
P.O. BOX 1626, SAUSALITO, CA 94966, USA

6 March 1985

The Honorable Sidney Yates
U.S. House of Representatives
Rayburn Office Building, Room B-308
Washington, D.C. 20515

RE: OCS Moratorium Provisions in FY 1986 Interior Appropriations Bill

Dear Mr. Yates:

The Pacific Coast Federation of Fishermen's Associations representing working commercial fishermen from throughout the State of California supports continuing the California OCS moratorium provisions for another year in the fiscal year 1986 Interior Appropriations Bill.

The offshore drilling moratorium language in the Interior Appropriations bill has been applied, as you know, by Congress to the offshore waters from Morro Bay to the Oregon border for the past four years and off southern California, a second moratorium provision has for the last two years protected Santa Monica Bay, nearshore tracts from Laguna Beach to San Diego, the Channel Islands National Marine Sanctuary, and the preserve and buffer zone adjacent to the City of Santa Barbara. PCFFA has supported that language in the past and requests that Congress include identical moratorium language again in the 1986 Department of Interior appropriation.

The same conditions and concerns that have existed in the past that gave rise to our objections to further offshore oil development along the California coast still exist today and we see no reason therefore for any deviation from our past positions.

We appreciate the concern you have shown for California's coast and it's fishing industry. We respectfully ask that you make this letter part of the hearing record.

Sincerely,

W.F. "Zeke" Grader, Jr.
Executive Director

cc: Honorable Pete Wilson
Honorable Les AuCoin
Honorable Vic Fazio
Honorable Norm Dicks

STEWARDS OF THE FISHERIES

19

THE PLANNING AND CONSERVATION LEAGUE
PCL
1228 N ST., SUITE 33 • SACRAMENTO, CA 95814 • (916) 444-8726

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Round Mountain
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Oakland
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Santa Barbara
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Laguna Beach
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Tiburon
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[illegible]
Bill Evers
[illegible]
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[illegible]
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ASSOCIATION
CALIFORNIA PLANNERS
FOUNDATION
URBAN CREEKS COUNCIL
CALIFORNIA
[illegible]

March 4, 1985

The Honorable Vic Fazio
U.S. House of Representatives
1421 LHOB
Washington, D.C. 20515

Dear Vic:

The Planning and Conservation League strongly supports the continuation of the Congressional moratorium on drilling in the California outer continental shelf (OCS). This moratorium has been extremely important in protecting the California coastline thus far, and continuation through fiscal year 1986 is crucial.

The California coastal region is an extremely sensitive area, and the quality of its scenic, wildlife, and economic values are dependent on this moratorium.

It has been argued that employment in the coastal areas, and energy supplies will be jeapordized if this moratorium is not removed. PCL does not believe this to be the case. In fact, quite the opposite may be true. Loss of scenic value and pollution could have a more serious impact on local economies by reducing tourism or hurting local fishing industries.

Energy Secretary Hodel suggests that closing the Big Sur area to offshore oil drilling will resolve the problem. Although we agree that drilling in the Big Sur area is totally inappropriate, we strongly believe this will not resolve the overall problems of the OCS leasing proposals. We strongly urge you to support a full moratorium of oil development along California's entire shoreline. Nothing short of this will provide the necessary protections for this irreplaceable public resource.

Therefore, the Planning and Conservation League urges renewal of both the Northern California-Central California, and Southern California moratoriums as part of the fiscal year 1986 Interior Appropriations bill.

Sincerely,

Corey Br

Corey Brown
General Counsel

CB:lm
cc: Rep. Sidney Yates
Rep. Les AuCoin
Rep. Norman Dicks

916 Anacapa Street • Santa Barbara, California 93101 • 966-3979

CPA

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Harwood A. White, Jr.

March 5, 1985

Honorable Sidney Yates
U.S. House of Representatives
B-308 Rayburn HOB
Washington, D.C. 20515

Dear Representative Yates:

On behalf of the Board of Directors of the Citizens Planning Association of Santa Barbara County, I urge you to support the continuation of the northern, central, and southern California OCS moratorium provisions.

Citizens Planning Association has worked earnestly for the last two years with county staff, elected officials and oil industry representatives implementing sound plans as our community faces an 800 percent increase in oil activity. We appreciate the economic and national security needs this development satisfies. But we also adamantly believe this development must not leave a ravaged Santa Barbara in its wake.

Likewise, we understand the Department of Interior's desire to open up many California coastal areas to oil development. But the reasons do not justify such an action. All these areas--from Crescent City to Morro Bay, from San Diego to Santa Monica, and the Santa Barbara Preserve and Buffer Zone and Channel Islands Marine Sanctuary--are the life-blood of areas economically dependent on fishing and tourism. They shelter sensitive marine plant and wildlife as well.

What's more, abandoning these moratorium provisions would open a flood-gate of activity that no county, state or federal agency could even begin to address adequately. Santa Barbara was far from prepared to cope with the public service demands and advanced environmental study required to make sure competing local resources were protected. Such intense development state-wide would alter the nature of California forever.

Representative Sidney Yates
March 5, 1985
page two

For these reasons we urge you to continue these moratorium provisions. California contributes much to our country's economic and national security interests. But our coast is important to us, and we hope you respect that.

Thank you for your consideration.

Sincerely,

Michael Feeney
Executive Director

MF:jls

cc: Representative Les AuCoin
Representative Vic Fazio
Representative Norman Dicks
Senator Pete Wilson

22

MARIN CONSERVATION LEAGUE
A non-profit corporation founded in 1934

1330 Lincoln Avenue, San Rafael, CA 94901
Office telephone: 456-1912

Past and Present

Angel Island
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Bolinas Lagoon/Kent Island
Stinson Beach
Drakes Bay Beach
Tomales Bay
Pt. Reyes National
  Seashore
Richardson Bay Sanctuary
Corte Madera Tidelands
Strawberry Tidelands
Bothin Marsh
Heerdt Marsh
The Northridge
Rancho Olompali
Marin's Agricultural Lands
Marin's Dairy Farms
Coastal Protection
Golden Gate National
  Recreation Area
Offshore Oil Drilling
Marin Planning Issues
Wild and Scenic Rivers
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March 5, 1985

Representative Sidney Yates
Rayburn HOB, Rm. B-308
Washington, DC 20515

Dear Representative Yates:

The Marin Conservation League and Project Coastwatch urge you to continue Congressional protection of the California coastline by continuation of the central and northern California Outer Continental Shelf (OCS) provision, as well as te southern California OCS provision, for the fiscal year 1986 Interior Appropriations bill.

The language in the FY 85 Interior bill urged the Department of Interior through continued negotiations with federal, state and local officials to pursue a resolution of the long term leasing status of these areas.

Since this has not occurred, it is critical that the moratorium remain in place.

Sincerely,

Peter Behr

Peter Behr
President

bcc: ✓Richard Charter

ORIGINAL LETTERS TO ATTACHED LIST

```
<1>Representative Sidney Yates
Rayburn HOB, Rm. B-308
Washington, DC  20515
*1*Representative Yates@
<2>Representative Les AuCoin
Rayburn HOB, Rm. 2159
Washington, DC  20515
*2*Representative AuCoin@
<3>Representative Vic Fazio
Longworth HOB, Rm. 1421
Washington, DC  20515
*3*Representative Fazio@
<4>Representative Norman Dicks
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Washington, DC  20515
*4*Representative Dicks@
<5>Senator Pete Wilson
Russell SOB, Rm. 720
Washington, DC 20510
*5*Senator Wilson@
<
```

FRIENDS OF THE SEA OTTER
P.O. BOX 221220. CARMEL. CALIFORNIA 93922

March 5, 1985

The Honorable Sidney Yates, Chair
House Subcommittee on Interior Appropriations
B-308 Rayburn House Office Building
Washington, D.C. 20515

Re: SUPPORT FOR CONTINUING CALIFORNIA OCS MORATORIUM PROVISIONS IN FISCAL YEAR 1986 INTERIOR APPROPRIATIONS BILL

Dear Chairman Yates:

Once again our hopes for protecting the range of the threatened California sea otter from further offshore oil leasing and drilling rest with your Subcommittee.

The October 1984 explosion and sinking of the oil tanker Puerto Rican off San Francisco's Golden Gate Bridge confirmed what we had long feared -- our inability to adequately contain or clean up an oil spill in the open ocean. State-of-the-art technology could not prevent oil from slopping ashore 140 miles north of the spill site. Had the spill gone as far south as it went north -- which had been originally predicted -- it would have moved through the northern half of the sea otter range. Fortunately for the otters, NOAA's oil spill trajectory prediction was off by 180°. Perhaps most alarming of all, the spill actually moved 20 miles overnight. Clearly, no additional leasing activities should be approved off these sensitive California coastal areas until there have been significant improvements in oil spill containment and clean-up technology.

Recent quotes in the press from the new Secretary of Interior to the effect that he intends to succeed where Watt failed in opening up the central and northern California coast to offshore oil development, coupled with Interior's determination to have test drilling in the Santa Cruz Basin where a spill during most of the year would travel directly south throughout the otter range, demonstrate the Administration's continuing commitment to drilling these fragile areas as soon as possible.

Your efforts in the past have protected much of California's coastline -- we place our trust in you again now.

Sincerely,

Carol Fulton,
Executive Director
408/375-2051

cc: Hon. Les AuCoin
Hon. Vic Fazio
Hon. Norman Dicks
Hon. Pete Wilson

LEAGUE FOR COASTAL PROTECTION

25

23 February, 1985

The Honorable Sidney Yates, Chairman
House Subcommittee on Interior Appropriations
B-308 Rayburn HOB
Washington, D. C. 20515

RE: Extension of California OCS Moratorium Provisions

Dear Mr. Chairman:

The League for Coastal Protection is a coalition of public interest and environmental organizations and individuals dedicated to a strong defense of California coastal resources. It is our understanding that the Committee will initiate hearings in Washington February 27 and 28 to consider the extension of the California OCS Moratorium provisions in the FY 86 Interior Appropriations Bill. The League joins other organizations and coastal local governments in urging Committee support for the moratorium continuation.

Approval of the moratorium section of the FY 85 Interior Bill by the joint House-Senate Conference committee contained language urging "continuing negotiations" with Congressional officials and State and local governments to resolve the long-standing issue of OCS energy development off the California coast. This has not occurred.

In clear violation of moratorium language banning energy exploration in certain sensitive areas, the Department of the Interior on February 8th, granted McClelland Engineers the right to proceed with stratigraphic test drilling on 32 sites located from Eureka to Santa Cruz. Borings will occur in close proximity to such sensitive areas as the Eel River Basin on the North Coast, Pt. Reyes and the Sonoma Coast, and Ano Nuevo on the Santa Cruz coast.

The McClelland action, coupled with last year's disastruous Puerto Rican tanker oil spill off the Farallones Marine Sanctuary -- an episode dominated by confused and conflicting stratagems on the part of agencies whose responsibility it was to deal with the situation -- only point to the critical need

more

LEAGUE FOR
COASTAL PROTECTION
Post Office Box 421698
San Francisco
California 94142-1698

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The Honorable Alan Sieroty
Former State Senator

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for Congress to protect our vulnerable marine and coastal land resources while at the same time, ensuring healthy fishery, tourism and recreational industries.

We can expect further infringements of Moratorium language unless "grey areas" upon which Interior chooses to base their approval of the McClelland permit, for example, are tightened. Interior -- more specifically, the Minerals Management Service -- has repeatedly disregarded the wishes of the public and local officials for a complete environmental impact statement and public hearings in the affected areas. The League has also learned that updated maps of the proposed McClelland drilling sites are different from site maps addressed at hearings held by the Environmental Protection Agency last year. Additionally, the applicant wishes to modify his discharge permit to increase amounts of heavy metals in drilling muds that would be discharged on the ocean floor.

Your support and that of the Committee have been a critical factor in the past. The League urges continued support for the extension of the Central and Northern California OCS provisions as well as continuation of the Southern California OCS provisions as part of FY 86 Interior Appropriations bill. We hope the Committee will review and tighten language to provide the protections needed in this most important issue.

Sincerely,

Lois Ewen, President
LEAGUE FOR COASTAL PROTECTION

cc: Senator Pete Wilson

Whale Center
NATIONAL OFFICE
3929 Piedmont Avenue, Oakland, California 94611
(415) 654-6621

WE WORK FOR THE WHALES AND THEIR OCEAN HABITAT

"Unless nations collectively and individually take bold and imaginative steps toward improved protection of the environment, the world must expect a troubled entry into the 21st century."

From the Global 2000 Report to the President

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Robert McNally
Stephanie Spero
Dennis Wilcher

Executive Director
Bert Schwarzschild

March 5, 1985

Rep. Sidney Yates
B-308 Rayburn HOB
Washington, D.C. 20515

Dear Sir:

The Whale Center is a non-profit conservation organization dedicated to the protection of whales and their ocean habitat. As such, we are committed in our support for the continuation of both California Outer Continental Shelf Moratorium provisions for another year in the fiscal year 1986 Interior Appropriations Bill. We ask that this letter be included in the hearing record.

Despite the Congressional Moratorium, we are deeply concerned with the Interior Department's aggressive perseverence to drill along the California coast. Such aggressiveness is evidenced by the Interior Department's (Minerals Management Service) recent Geological and Geophysical (G&G) permit issuance to McClelland Engineers of Ventura, California.

In issuing this permit, Interior not only defied the moratorium, but also failed to consult Section 7 of the Endangered Species Act (E.S.A.). Furthermore, Minerals Management Service (MMS) violated the intent and letter of the National Environmental Policy Act (NEPA) by failing to prepare either an environmental impact statement (EIS) or an environmental assessment (EA) on the McClelland proposal. Additionally, MMS held no public hearings on the proposal. Such blatant disregard for public input and the laws of this land has angered local governments, environmental groups and citizens alike.

The Whale Center is also angered by the dialogue emanating from Interior. A top Interior official has publicly stated that "the highest priority at Interior this year is removal of the standing moratorium on Outer Continental Shelf leasing in California waters." Overtures made by local California officials to sit down and "talk" prior to Interior's release of the new five-year leasing program have met with an Interior response of "We don't even want to talk to you people." This attitude is completely contrary to the recommendations which the Joint House-Senate Conference inserted in the Committee Report upon final approval of the FY 1985 Interior Bill.

Finally, the Northern and Central California Coast is still comprised of sensitive biological communities, highly productive fishing grounds, endangered species and an irreplaceable natural beauty. To this date, Interior has made no effort to study sensitive biological communities nor have such studies been authorized. The Interior Department doesn't know where the most sensitive locations of benthic invertebrates, plankton, benthic and other fishes, marine mammals or birds are located. Nor have areas of rare or endangered species been delineated. Without adequate knowledge of the species present, it is impossible to reasonably assess the potential effects of any proposed OCS activities on any organisms present.

We continue to oppose the Interior Department's past and current trend of "Drill Now, Study Later". We do not want to fall into the trap of making bad decisions. Yet Interior, in granting McClelland a G&G permit without adequate baseline knowledge, would seem to continue to support the policy of "Drill Now, Study Later". This policy is wrong and dangerous, and we do not support it. Therefore, we ask you to support re-authorization of the Interior Appropriations Moratorium.

Thank you for your attention to this matter.

Sincerely yours,

David Gold
Environmental Protection Analyst

DG:js

cc: Rep. Les AuCoin
Rep. Vic Fazio
Rep. Norman Dicks
Senator Pete Wilson

29

save
our
shores

P.O. Box 1560 · Santa Cruz, California · 95061 (408) 425-5211

March 8, 1985

Representative Sidney Yates
B-308 Rayburn Building
Washington, D.C. 20515

SUBJECT: HOUSE APPROPRIATIONS FOR DEPARTMENT OF INTERIOR/OCS MORATORIUM

Dear Representative Yates:

We are writing you to urge you and the members of the House Subcommittee on Interior Appropriations to continue the excellent work you have done in the past four years by extending the current moratorium on OCS leasing and preleasing activities off the Central/Northern California coastline, portions off Southern California and New England. It is of grave concern to environmentalists, commercial fishermen and business people alike around the Monterey Bay when we hear a top Interior official (Jack Rigg) state that "the highest priority at Interior this year is removal of the standing moratorium on OCS leasing in California waters". Your subcommittee's work toward another successful OCS moratorium is the only thing that will conserve our off-shore waters and coastline as both a national treasure and the backbone of much of our regional economy.

As you are aware, Interior's recent action to approve a major geologic and geophysical exploratory drilling permit off the Central and Northern California coast is in direct conflict with the intent of the present moratorium legislation. OCS moratorium bills should contain language which clearly prevent any type of OCS drilling from occurring. It appears new language is seriously needed to ensure that future OCS moratorium legislation is as adequate as Congress intends it to be. We sincerely look forward to your leadership in protecting the existing rescurces off the California coast. We have the technology to develop alternatives to petroleum. We will never be able to reproduce another marine environment such as that found at the Pacific shore.

Most sincerely,

Michael Humenik
Acting Chairperson

cc: Representative Les AuCoin
Representative Vic Fazio
Representative Norman Dicks
Representative Leon Panetta
Senator Pete Wilson
Senator Alan Cranston

bc: Richard Charter ✓

3°

ccs to AuCoin
Fazio
Dicks
& Wilson

LEAGUE OF WM. VOTERS OF CALIF LETTERHEAD

March 1, 1985

uncorrected copy

Representative Sidney Yates
B-308 Rayburn HOB
Washington DC, 20515

Dear Mr. Yates:

The League of Women Voters urges you to support the O.C.S. Moratorium on drilling in specific California offshore areas through fiscal year 1985. The House sub-committee on appropriations last year recommended that the D.O.I. "pursue a long term resolution of leasing status of these areas through continued negotiations with state and local officials." At this time no such negotiations have been forthcoming. It is the belief of the League that state agencies should be able to set standards that may be more strict than those set nationally. This goal can only be achieved when all levels of government work together toward the common goal of protection of public health and welfare.

We thank you for this opportunity to comment on this issue.

Respectfully,

Mary Jane Merrill, President

Jeanne Harvey, Water and Air Quality Director

1515 K Street, Suite 600
Sacramento, California 95814
(916) 324-5437

3580 Wilshire Boulevard, Suite 800
Los Angeles, California 90010
(213) 736-2273

State of California
Office of the Attorney General
John K. Van de Kamp
Attorney General

March 18, 1985

Honorable Sidney Yates, Chairman
Subcommittee on Interior Appropriations
Rooom B308, Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Yates:

OCS Leasing Limitations in Department
of the Interior Appropriations for
Fiscal Year 1985/1986

The Congress is now reviewing the proposed appropriations for the Department of the Interior for fiscal year 1985/1986. We believe that the appropriations bill should continue to limit the ability of Interior to use its funding to conduct Outer Continental Shelf oil and gas leasing offshore California. This letter is submitted for the subcommittee's hearing record pursuant to the Attorney General's independent constitutional, statutory and common law authority to represent the People of the State of California.

Because of the spending limitations included in the past in Interior's appropriation, the following OCS areas have been protected from leasing: the Northern California coast, the Channel Islands Marine Sanctuary, the Santa Barbara Channel Ecological Preserve and Buffer Zone, Santa Monica Bay and areas offshore Orange and San Diego Counties. These are all environmentally sensitive coastal areas which, in their present state, are of great value to the Nation as well as California and are deserving of continuing protection.

The prohibition of OCS leasing is clearly appropriate for these portions of the California coast. These are all areas with sensitive environmental resources, with local economies based on tourism, and, especially for areas such as Los Angeles, with serious existing environmental problems. Any limited benefits which might be derived from OCS leasing in these areas do not offset the risk to the environment posed by such leasing.

Despite the sensitivity of these parts of the California coast, Interior has in the past seriously considered leasing all of them. If Congress fails to renew the leasing limitations, Interior will be free to include all of these areas in future lease sales. Indeed, even in the face of the current leasing limitations, Interior has issued a permit to McClelland Engineering for test drilling at some 30 sites along the Northern California coast. Issuance of this permit is persuasive evidence that Interior will move to lease all, or most, of these areas if Congress lifts the leasing limitations.

In the debate over extending the leasing limitations for another year, you will no doubt hear the argument that these limits are inappropriate because of our need for energy independence. You must note that Interior is now implementing former Secretary Watt's Five-Year OCS Leasing Program, the most aggressive program in history. Under this, and past leasing programs, hundreds of millions of acres of the OCS are available for leasing and development. We contend that preventing Interior from leasing these limited areas offshore California is not going to burden our effort to achieve energy independence. This is graphically shown by the weak response of industry to the last two lease sales conducted for OCS areas offshore California. In Lease Sale 80 (conducted in October 1984) Interior was able to offer 657 tracts for lease. However bids were submitted on only 25 tracts. Similarly, in Lease Sale 73 (conducted in late 1983) Interior offered nearly 140 tracts and received bids on 8. Also, there are now many tracts offshore California which are under lease but have not been explored or developed.

Moreover, even the oil industry has admitted the existence of an oversupply of crude oil. Gasoline prices have been depressed and OPEC was forced to cut its level of production. In view of the level of supply, Interior's aggressive leasing program, and low industry interest, there is virtually no chance that these leasing limitations will cause any disruption in future oil supplies.

Continuing the leasing limitations hardly means a prohibition of OCS oil and gas activity offshore California. In Lease Sale 80 Interior was able to offer for lease three million acres of the OCS offshore Southern California. This was after deletion of the tracts subject to the leasing ban and after deletion of many tracts in areas used by the Department of Defense.

Local governments along the Central and Southern California coast are also now scrambling to keep abreast of the current rate of exploration and development in the Santa Barbara Channel and the Santa Maria Basin. These local governments need time to deal with development of already leased tracts. The current rate of development seems to insure that California will be one of the top two or three OCS oil and gas producing states well into the next century. Thus, even without future leasing, California is playing a key role in our Nation's energy future.

Congress, in enacting the leasing limitations last year, indicated that it was concerned that no long term solutions were being worked-out, and to that end, Interior was urged to pursue a resolution to this problem through "continuing negotiations with the appropriate Congressional, state and local officials . . . ." To date, the long-term resolution desired by Congress has not been reached with "the appropriate Congressional, state and local officials."

While I support the extension of the leasing limitations, I would like to suggest two modifications. First, Interior should be barred from issuing permits such as that given to McClelland Engineering for test drilling. Second, the current limitation for the Southern California areas is linked to Lease Sale 80. I believe it would be preferrable to delete the reference to Sale 80 and to conform the prohibitory language to that for Northern California.

In conclusion I wish to reiterate that those areas offshore California which have been protected by Congress in the past are still deserving of protection. In seeking to protect these areas, California has often been forced into the courts because Interior refused to listen. Congressional action to protect these OCS areas will help prevent future litigation and will help calm the conflicts. I strongly feel that this is the proper course to follow.

Very truly yours,

JOHN K. VAN DE KAMP
Attorney General

cc: Members of the California
Congressional Delegation
Gordon Duffy
Michael Fischer

Michael R. Routh, Mayor
Council Members:
Dennis F. Beltram
Robert W. Bucher
Jerry E. Clarke
Stephen E. Harlan

420 CAPITOLA AVENUE
CAPITOLA CALIFORNIA 95010
TELEPHONE (408) 475-7300

The opinions contained herein represent the viewpoint of the Undersigned

March 6, 1985

Representative Sid Yates, Chairman
Subcommittee on Interior Appropriations
Room B-308 Rayburn HOB
Washington, D. C. 20515

Dear Rep. Yates:

The City Council of Capitola, California, urges that all funds for off-shore leasing and other mineral recovery leasing be deleted from the Department of Interior's Appropriation Bill. This would be for the area known as the Santa Cruz Basin and includes Monterey Bay which has been the subject of numerous attempts to open for exploratory leasing.

Sincerely,

CITY OF CAPITOLA

Michael R. Routh

Michael R. Routh
Mayor

MRR:pae

cc: Rep. Les AuCoin
Rep. Vic Fazio
Rep. Norman Dicks
Senator Pete Wilson

68 Netsko Lane
Trinidad, CA 95570
March 6, 1985

The Hon. Sidney Yates, Chairman,
Subcommittee on Interior Appropriations
B-308 Rayburn Bldg.
Washington, D.C. 20515

Re: Moratorium, offshore oil and gas leasing, OCS, California

Dear Sir:

As northern California coastal residents we are alarmed at plans for oil and gas leases between the Oregon border and San Luis Obispo. We live about 100 miles south of the Oregon border. The entire coastal area is noted for its fisheries resources, recreational values and highly scenic values.

We also have concerns about this being earthquake-prone country. November 8, 1980 is very fresh in our minds when an earthquake occurred off the Humboldt County coast which measured 7.0 on the Richter scale. The epicenter of that quake was estimated to be about 12 miles off shore north of Trinidad.

Additionally, and historically, the rough coastal waters between San Francisco Bay and the Oregon border have been a mariner's nightmare.

We strongly urge you to consider at least a 5 year moratorium for any OCS leasing along our sensitive coast, and in our rich fish producing areas. We don't need any more "troubled waters".

Thank you for your consideration.

Sincerely,
Lucille and Wm. C. Vinyard
Lucille Vinyard
Wm. C. Vinyard

cc: Sen. Cranston
Sen. Wilson

NEWS FRIENDS OF THE EARTH
7th Street, S.E., Washington, D.C. 20003 • 202/543-4312
5 Sansome Street, San Francisco, CA 94111 • 415, 433-7373

SIX [illegible] BRANCH
FRIENDS OF THE EARTH
879 9th St., Arcata CA 95521
(707) 822-6918

March 6, 1985

Congressman Sidney Yates
Chairman Subcommittee of Interior Appropriations
B-308 Rayburn House Office Building
Washington DC 20515

Dear Congressman Yates:

The Six Rivers Branch of Friends of the Earth would like to urge you to do all that is within your power to extend a moratorium on oil and gas leasing and exploration off of the Northern California Coast. Our group urges a five year moratorium on any further planning or preparation for OCS leasing in last year's moratorium area.

There are serious environmental concerns and no evidence has been made public that the potential oil and gas resources that might be found are worth the potential costs associated with their development.

Adverse effects from poorly thought out development could damage the local economy: coastal fishery resources are already stressed and fishing is an important source of jobs on the North Coast; tourism is a significant aspect of our economy (1.4 million visitors in 1984) that oil spills could affect and coastal properties could be devalued; also petro development could pollute the air and our region has become a refuge for people who are allergic to pollution--they often bring skills and capital when they come to the north coast.

The marine life of our coastal waters is a national treasure. Vistors come and marvel at the annual migration of gray whales, concentrations of sea birds and the fish they feed on. In our view there should be no oil and gas development unless significant marine sancturaies are established to protect these creatures and their habitat.

North coastal waters also abound with earthquakes and a geological hazard map of the ocean floor clearly shows the many existing faults and clusters of past shakers that have occured. We live on an unusual part of the California coast in that everywhere else the faults are predominatly on the land while here they run offshore. More than 100 quakes have been recorded in our waters, some with a magnitude of 8 or greater.

Please stop Interior from glossing these facts over by extending the moratorium. Please include our remarks in the hearing record. Thank you for your time and consideration in this matter.

Sincerely yours,

Chris Jenican

(Ms.) Chris Jenican, Chair
Six Rivers Branch

Andrew Alm
663 J Street
Arcata, CA 95521

March 7, 1985

Rep. Sidney Yates
Subcommittee on Interior Appropriations
B-308 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Yates:

If an extra year's moratorium on oil and gas leasing and exploration off the northern California coast is all Congress can come up with, so be it. But my review of the scientific and economic evidence developed thus far leads me to believe permanent protection from offshore development is warranted if we are to maintain the biological productivity -- including but not limited to fishery, wildlife and recreational values -- this unique ocean region provides.

No evidence of economically or strategically valuable oil reserves in this area has ever been produced; to the contrary, most geologic predictions say the most we can ever expect to find are shallow natural gas deposits that would produce altogether less than is wasted annually in the Texas oilfields.

The hazards of drilling and geologic instability to the marine ecosystem far outweigh any meager benefits we might obtain via subsidized OCS development here.

I suggest what we really need to do is determine just why the present administration -- via Interior's Mindrals Management Service -- is so hell-bent in favor of such a lame-brained scheme.

Oversight hearings on OCS development are long overdue -- especially in light of Minerals Management's evident disregard of the existing moratorium. The agency has spent our tax dollars processing -- even encouraging -- geophysical exploration permits off the northern California coast in spite of Congress' specific direction. Witness the fact that McClelland Engineers has been granted an MMS permit to drill 32 300-foot-deep test holes off our coast this year, depositing some 1.12 million tons of toxic drilling muds onto sensitive benthic habitats in the process. Does this sound like a moratorium to you?

Please include these comments in the hearing record for this year's Interior appropriations bill. And put those screws tight!

Sincerely,

CURRENT DEVELOPMENT OF THE OUTER CONTINENTAL SHELF [OCS]: IMPACT WITHIN THE SMALL BUSINESS COMMUNITY

THURSDAY, APRIL 11, 1985

House of Representatives,
Subcommittee on Energy, Environment,
and Safety Issues Affecting Small Business,
Committee on Small Business,
Houston, TX.

The subcommittee met, pursuant to notice, at 9 a.m., at eighth floor, Federal Building, 515 Rusk Street, Houston, TX, Hon. Charles W. Stenholm (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN STENHOLM

Mr. Stenholm. I call this meeting to order.

This is a meeting of the Subcommittee on Energy, Environment, and Safety Issues Affecting Small Business of the House Small Business Committee.

I would like to begin by thanking all of those present for appearing and for their willingness to participate in this field hearing. Our subcommittee held an identical hearing yesterday in South Gate, CA, at which time we took testimony from small business persons regarding the subject before us, which is the Current Development of the Outer Continental Shelf [OCS]: Impact Within the Small Business Community.

Before we begin today's proceedings, I want to express my thanks and appreciation to Mr. Jesse Clark, the U.S. district clerk, for making this facility available for today's hearing. Mr. Clark's staff has been very helpful, and the subcommittee appreciates the assistance we have received in making the logistical arrangements which such a field hearing requires.

Representing Texas at today's hearing will be the Honorable Jack Fields of the 8th district, Mike Andrews of the 25th district, Albert Bustamante of the 23d district, and Tom Delay of the 22d district. Texas is well represented at today's hearing, and I very much appreciate the willingness of my colleagues to take time to participate in this hearing.

For purposes of definition, the Outer Continental Shelf consists of the Federal submerged land beyond the 3-mile area of State jurisdiction in most offshore waters, and beyond 10 miles in the Gulf of Mexico. The Congress enacted the Outer Continental Shelf Lands Act Amendments (Public Law 95-375) in 1978, and the

United States has made a commitment to accelerate the leasing and exploration and production of offshore oil and gas reserves.

For the past 4 fiscal years, Congress has placed leasing bans as provisions of the Department of the Interior appropriations, thus locking up areas of high oil and gas potential by withholding the moneys needed to hold lease sales. Proponents of these moratoria on leasing cite the possibility of blowouts, air pollution or other impacts which might affect the fishing and recreational value of the areas under moratoria. Opponents of these moratoria say that the fears of environmental damage are exaggerated and note that there has not been a major offshore oil blowout since 1969 off Santa Barbara, CA. Moratoria opponents fear that the bans might become permanent, and will result in shutting off some of the most promising tracts from development forever.

I have not called these field hearings to weigh the merits, pro or con, on the continuation of the moratoria on OCS development; that is clearly not within the jurisdiction of this subcommittee. Rather, these hearings have been called to ascertain what impact, if any, has been experienced by small businesses as a result of the current development of the Outer Continental Shelf. The subcommittee will take the information we gather and contribute it to the hearing record which is currently being established with regard to OCS development.

Many individuals have wondered why a small business subcommittee would be concerned with offshore development. I knew very little about this subject until beginning preparation for these hearings. Having had the opportunity in California to tour an offshore platform and to take testimony from business persons, I have been very surprised at the extent to which small businesses are affected by moratoria on offshore development.

And again, that is the purpose of these hearings. We hope that those witnesses will confine themselves to that subject. What we will ascertain is just exactly what the effect to small business has been.

We know that nationwide, in all industry and all business, small business creates some 80 to 85 percent of all of the new jobs that are created every year in the United States. We also know that not all small businesses make it. In fact, the statistics also show that on an annual basis some 8 of 10 new small businesses fail.

But again, these hearings are called to see the effect of the moratoria on small businesses.

And with those remarks, I would recognize my colleagues for any opening statements that they might care to make. First, Mr. Jack Fields.

Mr. **Fields**. Mr. Chairman, thank you very much. As the ranking minority member of the House Merchant Marine and Fishery Subcommittee on the Outer Continental Shelf, I'd like to welcome you to Houston and also compliment you on the subject matter of this hearing.

Last week we were fortunate to have the Secretary of the Interior, Donald Hodel come before the Outer Continental Shelf Subcommittee and present testimony regarding the OCS.

And at this time, I'd like to submit my statement, then just make a few points if I could.

Mr. STENHOLM. Without objection, your statement will be made a part of the record in its entirety.

OPENING STATEMENT OF HON. JACK FIELDS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. FIELDS. I have a great parochial interest in this particular issue. Over 140 million of the 1 billion acres in the Federal OCS are in the Gulf of Mexico. Thirty-four of the 35 largest oil companies and some 400 other oil-related industries are located in the Houston metropolitan area.

And you asked a question a while ago, Mr. Chairman, why small business is interested in the development of the Outer Continental Shelf. Well, according to the Texas Department of Water Resources, one new job in the oil and gas industry creates 3.7 new jobs in other sectors of our economy, and it results in almost $48,200 in wages, dividends, and royalties; almost $30,000 in Federal, State and local taxes; and $528,000 in gross receipts economywide.

In this gulf coast area, there are 85,000 jobs that are directly or indirectly dependent on the offshore program. Approximately 10,000 of these jobs are associated with activity offshore from Texas, and 75,000 jobs are related to offshore Louisiana.

According to the Port of Houston, which is the southern boundary of my congressional district, there are 160,000 jobs that are generated by the port. More than two-thirds of those are in local steel, chemical, and petroleum industries related to offshore oil and gas activity.

So, I do have a great parochial interest in the OCS issue.

If we look at the Federal OCS in general in regard to its energy potential, it's projected to contain over 60 percent of our Nation's undiscovered energy resources. This represents some 43 billion barrels of oil and 230 trillion cubic feet of natural gas. So, as a nation, we have a security interest in what happens offshore.

And just very briefly, I want to point out, because I know many people who support moratoria who have opposed OCS activity have done so for environmental reasons.

I'd like to point out to this subcommittee and to the people in our audience today that of the 50 major oilspills, only one has occurred because of OCS development. That was in the Santa Barbara Channel.

Last week when Secretary Hodell was before our subcommittee, I asked the question if there had been any irreparable damage done in the Santa Barbara Channel. He said, to his knowledge, there had been no damage that was irreparable done in that area.

I also asked him if he was aware what had happened in regard to fishing in the Santa Barbara Channel. And my figures—I may not remember my figures exactly, but it was something like 14 million pounds of fish caught in the Santa Barbara Channel in 1969, and in 1983, it was something like 52 million pounds of fish caught in that particular area. So, there had been no damage done to fishing.

And with that, Mr. Chairman, I'll close at this time. I want to thank you for holding hearings and particularly holding them in this area where the offshore program is so important.

Mr. STENHOLM. Thank you, Jack.

Next I'll recognize Albert Bustamante of the 23d district for any opening remarks.

Mr. BUSTAMANTE. Mr. Chairman, I'm just happy to join you and my colleagues at this most important hearing. And I'm here to learn, to hear those who are going to come before us. I intend to listen to the witnesses and convey the information I learn to my colleagues on the House Government Operations Subcommittee on Environment, Energy, and Natural Resources.

So, I just appreciate the opportunity to be here with you.

Mr. STENHOLM. Next I'll recognize Tom DeLay of the 22d district.

OPENING STATEMENT OF HON. THOMAS D. DeLAY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. DELAY. Thank you, Mr. Chairman. I, too, would like to welcome you and Congressman Bustamante to Houston, and I also would like to thank you, Mr. Chairman, for holding this important hearing today.

As the representative for southwest Harris, Fort Bend, and Brazoria Counties, I am concerned about the effect our national policies have on future domestic oil production and the many businesses that support that production.

Considering the important role that many Houston area small businesses play in the exploration and production of offshore oil, it is appropriate that this committee has come to Houston for this hearing.

In the past, most of the important advances in the technology of drilling and exploration have come from small businesses with new ideas and the will to take a risk to implement those ideas.

Presently, the entire oil and gas industry is in an unprecedented slump. There are various factors involved in this slump, some of which are the result of Federal policies.

The moratoria on OCS leases included in the Interior Department appropriations are a significant example of restrictive policies which limit our domestic production.

The moratoria are a serious problem because of the lead time necessary to produce offshore oil. I fear that we are hindering the development of oil that we will need in the 1990's and beyond.

If offshore areas are to be excluded from exploration based on environmental concerns, the exclusion should be based, Mr. Chairman, on a consistent policy which weighs the environmental risk against the potential national benefits.

By tying the moratoria to appropriations, the deliberative process in the committees of expertise have been bypassed.

Mr. Chairman, once again I applaud your initiative in holding this hearing to help bring out another side to the moratorium debate beside the already well-publicized environmental considerations.

Thank you, Mr. Chairman.

Mr. STENHOLM. I will now call our first panel. Mr. Laney Chouest, Mr. F.E. Bigelow, Jr., and Mr. John W. Bissell.

If you have a written statement, it will be made a part of the record in its entirety. We will appreciate it if you can summarize your statements, however.

We will operate under the 5-minute rule with, we hope, a maximum of 10 minutes. We don't want to pressure you, but everyone has busy schedules. If you can stay within the 5- to 10-minute range with your statements and/or summaries, we will appreciate it. I suspect those who come after you will also be appreciative.

We welcome you. I would ask you to identify yourself for the record and tell us who you represent, prior to making your statement.

And if I mispronounce your names, please forgive me.

Mr. Chouest.

TESTIMONY OF LANEY CHOUEST, VICE PRESIDENT, EDISON CHOUEST OFFSHORE, GALLIANO, LA

Mr. CHOUEST. Thank you, Mr. Chairman, committee members.

My name is Laney Chouest. That was close.

My family business, Edison Chouest Offshore, is a supplier and operator of offshore oil support vessels. Our fleet numbers 29——

Mr. STENHOLM. Excuse me, but I don't think the mike is working. Please speak up as loudly as you possibly can; the mikes do not seem to be working.

Mr. CHOUEST. It's Japanese. [Laughter.]

Mr. STENHOLM. That explains it.

Mr. CHOUEST. My family business, Edison Chouest Offshore, is a supplier and operator of oil support vessels. Our fleet numbers 29 at the present and consists primarily of specialized vessels involved in all phases of oil exploration and development.

Our main office is in Galliano, LA, and our shipyard is 9 miles away in Larose. Our area has a population of about 22,000. Our entire operation employs slightly over 500 people at the present.

One interesting thing about offshore boat operations in this market is that there is one guy who can hire you, normally the transportation supervisor, then about eight guys who can fire you. It seems like OCS leasing is similar to this with the multitude of ways in which progress may be slowed.

One of these ways is the so-called consistency issue relating to OCS leasing.

My written comments contain a detailed explanation of my concerns there. But the gist of it is that the Coastal Zone Management Act and the Outer Continental Shelf Lands Act were pieces of legislation enacted to ensure that coastal States had adequate means to protect their environmental concerns. The States began to use their authority in the manner that leasing advocates thought was not appropriate.

The issue wound up in Supreme Court with the ruling stating that the actual leasing process outside State waters had no direct effect on coastal areas and need not comply with Coastal Zone Management Programs adopted by the State.

Soon after the January 1984 court decision, legislation was introduced to overturn it. The 98th Congress adjourned without approving it.

It is my opinion that legislation of this nature is unfair and unreasonable. Under present law, the coastal States have input in all stages of OCS leasing to ensure that their CZM plans are complied with.

And there's more explanation—more written detail of this in the written text.

With my company being a small business and your committee having us as a concern, I'd like to comment on how good leasing program, or the lack of it, affects our viability in the marketplace.

Even with the present 5-year schedule, market uncertainties prevent the oil companies from making long-term commitments in the service area. In our specific business, support vessels, the new designs for deep-water exploration and production are costing in the $8 to $10 million range. Without long-term contracts, it's impossible for small companies to take such risks. There's a built-in bias against smaller companies on this basis.

Many of our clients are anxious to work with us on a long-term basis on some of these specialized projects, but when 5-year charters are mentioned, they begin quoting the all-too-familiar uncertainties associated with leasing, environmental issues, and the like.

An example of this is the need for high horsepower, highly maneuverable anchor handling vessels to support the large amount of deep-water gulf activity present going on. The existing equipment is working at its capacity and frequently has to perform in marginally safe situations.

Another example is seismic research. This is an area in which long-term planning is essential if it's to be done at all. The complex technology involved can't be stopped and started very easily. To do so would make the work financially and technically unfeasible.

How does this affect us? Well, we supply the vessels to do that type of research.

In 10 years—just a little comment. In 10 years, I'm pretty confident that offshore oil exploration and production will be going on. I doubt people stop driving their cars and turning on their lights and flying around. And statistics on declining reserves are not really opinions. They're simple facts.

And it would seem nice if we could realistically plan for what we're going to be doing and also help small businesses compete on an equal basis.

And that's really all I have to say. The written comments have more details on this.

Any questions I could answer on anything?

Mr. STENHOLM. We'll listen to each of the three witnesses, and then we will ask questions.

[Mr. Chouest's prepared statement follows:]

Prepared Statement of Laney Chouest, Vice President, Edison Chouest Offshore, Galliano, LA

Mr. Chairman, my name is Laney Chouest and I serve as Vice President of Edison Chouest Offshore.

Mr. Chairman, in my statement, I will address the role of the coastal states in offshore leasing and the significance of the so-called "consistency" issue to offshore oil and gas development.

Mr. Chairman, in the 1970s, Congress dramatically increased the participation of the coastal states in outer continental shelf leasing, exploration and production by enacting the Coastal Zone Management Act and the Outer Continental Shelf Lands Act Amendments. These laws provided the states with increased opportunities to ensure the protection of their environmental interests. Coastal states now have considerable authority and influence over what happens in the federal offshore areas. They participate in policy and planning decisions and are involved in the process every step of the way.

The state role is reflected in the Coastal Zone Management Act's "federal consistency" provisions. Activities conducted by or supported by federal agencies themselves must to the "maximum extent practicable" be consistent with federally approved state coastal zone management programs.

There is no dispute over the fact that existing law clearly applies the consistency requirement to applicants for permits for activities that directly affect land or water in the coastal zone or under an outer continental shelf exploration or development plan. The scope of federal consistency therefore encompasses activities such as offshore drilling and production as well as onshore activities.

A company seeking a federal license or permit must certify to the federal agency that the activity is consistent with any applicable state coastal zone management program. The state has six months to review that certification. Without such certification or the state's concurrence, the application will be denied. Under the Coastal Zone Management Act the Secretary of Commerce can override a state objection, but only if he finds that the proposed activity is "consistent with the objectives of [the Coastal Zone Management Act] or is otherwise necessary in the interest of national security."

In a recent lawsuit, the state of California contended that even the issuance of an oil and gas lease in federally controlled waters must be subject to consistency review by the nearby states. The U.S. Supreme Court disagreed with that interpretation of the law.

In a decision handed down in January 1984, the Supreme Court found that the issuance of a lease covering areas outside state territorial waters has no direct effect on coastal areas, and therefore need not comply with the coastal zone management programs adopted by nearby states.

The court's ruling did not lessen any of the environmental safeguards provided by existing laws and regulations. Neither did it deprive coastal states of any of the influence they already had on offshore leasing decisions. However, the decision does mean that coastal states cannot invoke their coastal zone management programs to restrict federal offshore leasing activities under circumstances where their recommendations do not provide for an adequate balance between state and national interests.

Soon after the Supreme Court decision was announced, legislation was introduced in both houses of Congress to override that ruling. The bills would have rewritten existing law to require even the issuance of a lease in federal waters to be subject to review for consistency with coastal zone management programs. The 98th Congress adjourned without approving the legislation.

Spokesmen for the U.S. Department of the Interior, the National Oceanic and Atmospheric Administration and the petroleum industry testified against the bills in House and Senate hearings in March 1984. Appearing before the House Merchant Marine Subcommittee on Oceanography, Director William D. Bettenberg of the Minerals Management Service said of the House bill to overturn the Supreme Court decision: "We find the bill to be a bad idea and strongly oppose it. ... It is unnecessary, ill-advised and represents a piecemeal approach to a complex issue.

"Full use of state coastal zone management authority granted by this bill could result in the loss of billions of dollars of revenue from outer continental shelf oil and gas leases over the next few years alone."

We agree with this view and we will continue to oppose legislation to overturn the Supreme Court's decision.

Both the Coastal Zone Management Act and the Outer Continental Shelf Lands Act represent congressional recognition of the coastal states' interest in offshore activity and the possibility that that interest may not coincide with the national interest. As a result, these statutes offer coastal states an opportunity to participate in the totality of outer continental shelf decision-making, and the states have seized this opportunity.

Under Section 18 of the Outer Continental Shelf Lands Act, coastal states have participated actively in the formulation of the Department of the Interior's five-year leasing schedule, submitting extensive comments during rulemaking and initiating litigation. These efforts have brought about extensive changes in the original five-year program of 1980 as reflected in the amended program of 1982. They also have been reflected in other, more recent alterations in the leasing schedule.

Under Section 19 of the Outer Continental Shelf Lands Act, even after a five-year program is adopted, states can continue to participate in federal decision-making on individual lease offerings and even later on individual development and production plans. In this regard, Section 19 of the Outer Continental Shelf Lands Act is complemented by the federal consistency provision of the Coastal Zone Management Act. At the lease offering stage under Section 19 and later at the development and production plan stage, coastal states can make recommendations which the Secretary of the Interior must consider and accept if they represent a reasonable balance between national and state interests.

In view of the important role the states play and the effect the states can have on the offshore leasing program, the oilfield service and supply industries -- together with the major oil companies -- are expanding their efforts to communicate with state officials, interest groups, the news media and the public in general. Attention is being given not only to California and Alaska, where a large percentage of future offshore lease offerings are scheduled to be held, but also to other coastal states and inland states which have an important stake in OCS development which may not be obvious at first glance. The message being communicated centers around the national energy supply and security benefits of OCS development, the offshore industry's technical capabilities and its ability to drill safely in a manner that is compatible with the marine environment and the favorable economic and employment effects which OCS development generates throughout the nation.

With my company being a small business, and your committee having us as its main concern, I would like to comment how a good leasing program or the lack of it affects our viability in the marketplace.

Even with the present five year schedule, market uncertainties prevent the oil companies from making long-term commitments in the service area. In our specific business -- support vessels -- new designs for deepwater exploration and production are costing in the 8 to 10 million dollar range. Without long-term contracts it is impossible for small companies to take such risks. Thus there is a built-in bias against smaller companies. Many of our clients are anxious to work with us on a long-term basis with some of these specialized projects but when a five-year charter is mentioned, they begin quoting the all too familiar uncertainties associated with leasing, such as environmental issues. An example of this is the need for high horsepower highly maneuverable anchor handling vessels to support the large amount of deepwater gulf activity. The existing equipment is working at its capacity and frequently has to perform in marginally safe situations.

Seismic research is one area in which long-term planning is essential if it is to be done at all. The complex technology involved can't be stopped and started very easily -- to do so would make the work financially unfeasable. Why does this affect us? We supply the workboats to do this type of work. Ten years from now, I'm sure that offshore exploration and production will be going on much as it is now -- I doubt that people will stop driving their cars, lighting their houses, and flying around. The statistics on our declining domestic reserves are not opinions; they are simple fact. Why can't we realistically plan for our future? -- and also help the small businesses compete on an equal basis with the large corporations?

Thank you for listening. Are there any questions I could answer?

Mr. STENHOLM. Next, Mr. Bigelow.

TESTIMONY OF FLOYD E. BIGELOW, JR., CHAIRMAN, PRESIDENT, AND CHIEF EXECUTIVE OFFICER, PORTA-KAMP MANUFACTURING CO., INC., HOUSTON, TX

Mr. BIGELOW. Mr. Chairman, my name is Floyd Bigelow, and I serve as chairman and chief executive officer of Porta-Kamp Manufacturing of Houston.

We're a family-owned business. It was founded in 1956. Small business. Getting smaller in the last 2 or 3 years, progressively. We supply various types of living quarters and service accommodations to the oil and construction industry for use both in domestic and international areas of operation. Our products include prefab homes, relocatable camps, and offshore quarters.

In my statement today, I'd like to address some of the major contributions which offshore development make to jobs and the economy, both Texas and the Nation.

The offshore oil industry has been a mainstay of coastal communities in Louisiana and Texas since 1937, when the first commercial offshore field was discovered. Since then, offshore operations have become important economic components of most gulf coast communities. According to the U.S. Department of the Interior report, "The industry is so widespread that virtually every urban area in coastal Texas and Louisiana owes part of its economic base to it."

In Louisiana, the business of extracting oil and gas from offshore and onshore wells accounted for about 95,000 in 1982. Estimated total direct employment in all phases of Louisiana petroleum industry in 1982 was more than 131,000.

In Texas, 292,000 persons were employed in the oil and natural gas producing segment of the industry in 1982, according to figures from the Petroleum Independent. Again, a substantial, but unspecified, portion of this group worked in activities related to offshore production. Total direct employment in all phases of the Texas petroleum industry is estimated at more than 433,000.

The economic benefits of offshore drilling are not confined to coastal areas, but extend to many States throughout the Nation. Hundreds of thousands of Americans are employed by large and small companies that service and supply the offshore industry.

Sophisticated computer equipment used in processing and analyzing geophysical information is manufactured in Rhode Island, Massachusetts, and Connecticut. Highly detailed and specialized maps are produced in Florida and California.

Steel used in offshore rigs from Pittsburgh, Birmingham, and Ohio. Rigs are put together in shipyards along the Gulf of Mexico in Texas, Louisiana, Alabama, and Mississippi, as well as in Maryland and California.

The rigs are painted with protective coatings that are manufactured in St. Louis, MO, and Union, NJ.

The engines come from Peoria, IL, and Detroit, MI. The cranes from Wisconsin, Pennsylvania, and Nebraska. Specialized drilling tools, fluids and cement, California, Nevada, Wyoming, Oklahoma, Salt Lake City, and Little Rock, AK. Heaters, North Dakota.

Crews and supplies are transported to and from the rigs by helicopters and workboats that come from Connecticut, New York, Texas, Louisiana, Washington, Oregon, and Alaska.

Specialized shoes, hard hats, and work clothes are manufactured in Tennessee, Wisconsin, Texas, Kentucky, Pennsylvania, and Minnesota.

We supply offshore quarters and specialized units in Texas.

And to talk about our facility and our experience a little bit, we have three plants in Houston. One is located near the Houston ship channel in an area called Jacintoport, where many other facilities for offshore fabrication are also located. Today, many of these facilities are shut down or are operating at greatly reduced staffs. At its peak, 3 to 4 years ago, there were 4,000 to 5,000 people employed in Jacintoport. Today, there are probably half that total, and our facility there is closed.

There is little doubt that part of the reason for the slowdown in activity is due to less exploration for oil and gas in the United States and its coastal waters. However, in my company's case, the slowdown is also directly related to the high value of the U.S. dollar in overseas markets and the general slowdown in oil activities worldwide.

Our sales have always been more export than domestic, and with the dollar so high, our exports to companies operating overseas are very low at this time, if not nonexistent.

At our peak in 1981, approximately 90 percent of our sales were export. Last year, our total sales were approximately 20 to 25 percent of our peak, with our work force reduced accordingly. We used to run about 400 people in three plants. Today, we're operating 100 people in one plant, partially.

Mr. Chairman, the facts are clear and convincing: Offshore development is critically important to our Nation's economic well-being and to the jobs of tens of thousands of workers in Texas and many other States. We cannot afford to block or delay the offshore operations and development that are so important to our Nation and its future, nor can we afford to stand by idly and watch our exports continue to dwindle because of fiscal policies which are counterproductive to the well-being of our Nation's business firms and the many workers who are adversely affected.

Thank you, Mr. Chairman.

[Mr. Bigelow's prepared statement follows:]

PREPARED STATEMENT OF FLOYD E. BIGELOW, JR., CHAIRMAN AND CHIEF EXECUTIVE OFFICER, PORTA-KAMP MANUFACTURING CO., INC., HOUSTON, TX

Mr. Chairman, my name is F. E. Bigelow, Jr. and I serve as Chairman and C.E.O. of Porta-Kamp Manufacturing Co., Inc. of Houston. Porta-Kamp is a family-owned small business founded in 1956, which supplies various types of living and service accommodations to the oil and construction industries for use both in domestic and international areas of operation. Our products include prefabricated homes, relocatable camps and offshore living quarters.

Mr. Chairman, in my statement today, I would like to address the major contributions which offshore development make to jobs and the economy -- in Texas and the nation.

Mr. Chairman, offshore oil and natural gas operations pump money into a local economy as any other new industry does. Offshore exploration may hardly be noticed by coastal communities. But local economies start feeling a significant infusion of money after companies find commercial amounts of oil and gas and begin preparing for production.

Offshore drilling brings capital expenditures for plants and equipment property and sales taxes, wages, and purchases of goods and services. Following well development and onshore construction, which may last from 5 to 15 years, offshore wells begin producing oil and gas. Expenditures decrease after development and construction, but a stable economic base remains throughout the production phase, thus ensuring communities of a reliable source of taxes, wages and demand for goods and services.

Areas along the Gulf of Mexico offer a clearer picture of the economic benefits of offshore operations. The offshore oil industry has been a mainstay of coastal communities in Louisiana and Texas since 1937, when the first commercial offshore field was discovered. Since then, offshore operations have become important economic components of most gulf coast communities. According to a U.S. Department of the Interior report, "The industry is so widespread that virtually every urban area in coastal Texas and Louisiana owes part of its economic base to it."

In Louisiana, the business of extracting oil and gas from onshore and offshore wells accounted for about 95,300 jobs in 1982. Morgan City, Louisiana, presents a vivid picture of the impact on employment from offshore activities. The offshore oil industry in 1981 provided about 13,500 jobs in this town of 40,000. The President's Council on Environmental Quality noted that offshore operations produced "thousands of spin-off jobs in everything from automobile sales to insurance to 'Po Boy' stands."

Estimated total direct employment in all phases of the Louisiana petroleum industry in 1982 was more than 131,000.

A recent study published by the Economics Department of Louisiana State University found that in 1981 the offshore petroleum industry in that state provided direct employment to 41,781 persons. In addition, the offshore industry indirectly was responsible for creating more than 83,500 other jobs in construction, maintenance and repair, retail and wholesale trade, business services and 34 other economic sectors. Total annual earnings for the more than 125,000 Louisianans whose jobs are related to offshore production were estimated at $1.8 billion.

The university study estimated that for every new job created in the Louisiana oil and gas industry, two new jobs are created in other sectors of the state's economy.

The study also pointed out that the energy sector is a major source of revenue for Louisiana's state government. It is estimated that collections from severance taxes, royalties, rentals and bonus payments accounted for nearly half of all undedicated funds collected by the Department of Revenue and the Mineral Board in Fiscal Year 1982. In addition, the energy industry pays corporate income and franchise taxes to the state, and its employees pay millions of dollars in state income taxes as well.

In Texas, 292,522 persons were employed in the oil and natural gas producing segment of the industry in 1982, according to figures from Petroleum Independent. Again, a substantial but unspecified portion of this group worked in activities related to offshore production. Total direct employment in all phases of the Texas petroleum industry was estimated at more than 433,000.

Indirectly, the industry produced many more jobs. According to testimony before a Texas House subcommittee, one job in the oil and gas industry in Texas created 3.7 jobs in other sectors. This has meant that for every 10 petroleum industry jobs, 8.8 jobs opened up in retail trade, 8 jobs in services, 6.8 jobs in education, 2.9 jobs in manufacturing, and 10.5 jobs in all other sectors. In Houston, for example, "of an estimated 160,000 jobs generated by the Port of Houston, more than two-thirds (110,000) are in local steel, chemical and petroleum industries directly related to offshore oil and gas activity," according to the planning director of the Port of Houston.

Texas is one area for which economic impacts other than employment totals are available. The one job in the oil and gas industry that generated 3.7 other jobs also added the following to the economy of Texas: $48,198 in wages, dividends and royalties; $423,059 in gross receipts; and $30,273 in federal, state and local taxes. In short, concluded Houston Chamber of Commerce President Louis Welch, "The level of offshore oil and gas production affects every school district, city hall and county courthouse in our area."

The economic benefits of offshore drilling are not confined to coastal areas, but extend to many states throughout the nation. Hundreds of thousands of Americans are employed by large and small companies that service and supply the offshore industry.

For example, long before any kind of drilling can start, seismic crews scan the ocean floors, gathering geophysical information. Sophisticated computer equipment used in processing and analyzing that information is developed and manufactured in Rhode Island, Massachusetts and Connecticut. Highly detailed and specialized maps are produced in Florida and California.

Steel used in building massive offshore rigs is made in Pittsburgh, Pennsylvania; Birmingham, Alabama; and in Ohio. The rigs are put together at shipyards along the Gulf of Mexico in Texas, Louisiana, Alabama and Mississippi, as well as in Maryland and California.

After they are assembled, the rigs are painted and treated with protective coverings that are manufactured in St. Louis, Missouri and Union, New Jersey.

The engines that power the rigs are made by companies in Peoria, Illinois and Detroit, Michigan. The cranes that lift equipment and supplies come from Wisconsin, Washington, Texas, Pennsylvania and Nebraska. Specialized drilling tools, drilling fluids and cement are purchased from companies in California, Nevada, Wyoming, Oklahoma, Salt Lake City, Utah, and Little Rock, Arkansas. In cooler climates, heaters manufactured in North Dakota warm the living quarters and work areas of offshore rigs.

Crews and supplies are transported to and from the rigs by helicopters and workboats that come from Connecticut, New York, Texas, Louisiana, Washington, Oregon and Alaska.

Special shoes, hard hats and work clothes are manufactured in Tennessee, Wisconsin, Texas, Kentucky, Pennsylvania and Minnesota.

One of our plants is located near the Houston Ship Channel in an area called Jacintoport Industrial Park, where many other facilities for offshore fabrication are also located. Today many of these facilities are either shut down or operating at greatly reduced staffs. At its peak a few years ago, there were 4,000 to 5,000 people employed at Jacintoport Industrial Park -- today there are probably only 2,000 total, and our facility there is closed.

There is little doubt that part of the reason for the slow down in the activity is due to less exploration for oil and gas in the U. S. and its coastal waters. However, in my company's case the slow down is also directly related to the high value of the U. S. Dollar in overseas markets. Our sales have always been more export than domestic and with the dollar so high our exports to companies operating overseas, especially German, Japanese and French companies are also non-existent. At our peak in 1981, approximately 90% of our sales were export. Last year our total sales were approximately 20% of our total sales in 1981 and a work force reduced accordingly. We are understandably anxious for domestic offshore work to increase and for the dollar to lose its unrealistic high value in the international market.

Mr. Chairman, the facts are clear and convincing: offshore development is critically important to our nation's economic well-being and to the jobs of tens of thousands of workers in Texas and many other states. We cannot afford to block or delay the offshore operations that are so important to our nation and its future.....nor can we afford to stand by idly and watch our exports continue to dwindle because of fiscal policies, which are counter-productive to the well-being of our nation's business firms and the many workers who are adversely affected.

Mr. **Stenholm**. Thank you.
Mr. Bissell.

TESTIMONY OF JOHN W. BISSELL, PRESIDENT AND CHIEF EXECUTIVE OFFICER, SEAL FLEET, INC., GALVESTON, TX

Mr. **Bissell**. Mr. Chairman, distinguished Members of Congress, guests, my name is John Bissell. I'm the president and Chief Executive Officer of Seal Fleet, Inc., which is a publicly held company that owns and operates, through its subsidiaries, a fleet of offshore supply and oceanographic research vessels. I also serve as the executive committee man of the National Ocean Industries Association's Small Business Committee As you know, this committee represents the point of view of the NOIA members that consider themselves small businesses when dealing with the Federal Government. The committee also is concerned with keeping the NOIA members informed of new and proposed governmental actions that will affect their businesses. I'm also the immediate past chairman of the Offshore Marine Service Association, which represents a majority of the owners and operators of small vessels serving the offshore exploration, drilling and production industry of the United States.

Mr. Chouest is one of these—his company is one of these. Mine is a public held company; his is a privately owned company.

Today, I testify on behalf of the National Ocean Industries Association and the hundreds of NOIA member companies of all sizes and types which service and support the offshore development industry.

My written comments contain much of the same thing that other speakers—or, people testifying today will say or will present to the committee in written statements. And on behalf of conservation of time, I'll let you read that.

Testimony such as we are trying to give today needs to say the things that you said you already know, that you hear all the time. But as background for the comments that we have for the impact on our individual companies, that information does need to be scrutinized in order to get the full impact of what we're trying to tell you today.

Of course, it needs to be said that we recognize a central reality of our energy situation in the United States remains vulnerable to the cutoffs of imported oil, as it was during the 1970's when Americans endured the supply shortages, long gasoline lines, and soaring prices.

At this time with about one-third of this country's oil supplies coming from foreign sources. Incidentally, it's basically the same percentage as in 1973 during the crisis. Any large-scale cutoff would damage our economy and threaten our security.

We know, as Mr. Bigelow stated, that small business, as well as large business, big business, throughout the United States is affected by moratoria on leasing, lease sales, because they do manufacture and sell their products from inland States, as well as coastal States, throughout the United States to this industry.

We feel that we have enough—as small businesses, we do have enough problems with maintaining equilibrium in our economy without unnecessary delays causing problems that shouldn't exist.

We know that by imposing leasing moratoria that Congress has blocked efforts to find and produce oil and gas, and we feel that the areas placed off limits contain some of the brightest American prospects of major new discoveries.

With that background, I'll leave it to you to read the other part of my testimony that deals with the many aspects of what happens when we're in an economical depression and feel that we're moving toward daylight coming out of it, and then have a economic impact such as the cutback on lease sales affect us at a time like this.

Specifically, the economic impact of leasing moratoria on companies like Seal Fleet, whose only reason for existence is to provide transportation services to the offshore oil industry would be serious at any time. But when it comes at a time when the industry is struggling through the worst downturn in its history, it's devastating.

While our competitors from countries sucn as Norway offer vessels to our long-time customers here in the United States at rates that would not be possible without the equivalent of subsidies from their governments, we are faced with many problems often brought about by unwarranted environmental concerns. Our customers are being offered very attractive financial inducements to do business with companies from other nations, while our Government exhibits a remarkable lack of concern by continuing to place obstacles in the way of our industry.

Mr. Chairman, the witnesses appearing today will discuss many of these issues in greater detail. Let me summarize our view by saying that we regard accelerated, but orderly, offshore oil and gas development to be a vital national necessity, and we urge the Congress to reject any efforts to renew or extend the leasing moratoria or to place other obstacles in the way of offshore development.

Thank you.

[Mr. Bissell's prepared statement follows:]

Prepared Statement of John W. Bissell, President and Chief Executive Officer, Seal Fleet, Inc., Galveston, TX

Mr. Chairman, my name is John W. Bissell and I am the President and CEO of Seal Fleet, Inc., a public held company that owns and operates through its subsidiaries a fleet of offshore supply and oceanographic research vessels. I also serve as the Executive Committeeman of the National Ocean Industries Association's (NOIA) Small Business Committee. This committee represents the point of view of the NOIA members that consider themselves small businesses when dealing with the federal government. The committee also is concerned with keeping the NOIA members informed of new and proposed governmental actions that will affect their businesses. I am the immediate past chairman of the Offshore Marine Service Association (OMSA) which represents a majority of the owners and operators of small vessels serving the offshore exploration, drilling and production industry of the United States.

I am testifying today on behalf of the National Ocean Industries Association (NOIA) and the hundreds of NOIA-member companies of all sizes and types which service and support the offshore development industry.

Mr. Chairman, we consider offshore development to be essential for the energy future and economic well-being of the United States. The facts are clear: unless we find and develop more oil and gas off our coasts, our country will become more and more dependent on the dangerously insecure sources of foreign oil imports -- and we will be risking a return to the severe energy shortages and supply disruptions of the 1970s.

We begin by noting that the central reality of our energy situation is that the United States remains vulnerable today to cut-offs of imported oil as it was during the 1970s, when Americans endured supply shortages, long gasoline lines and soaring prices.

With about one-third of this country's oil supplies now coming from foreign sources -- the same percentage as in the 1973 crisis -- any large-scale cut-off would damage our economy and threaten our security. And with our oil imports recently on the rise, we are becoming increasingly vulnerable to even small interruptions. Wars and instability in the Middle East can cut back world oil supplies at any time and quickly affect American consumers -- as we learned twice during the 1970s.

The United States still depends on oil and natural gas for most of its energy. The energy scoreboard shows that about 43 percent of the energy we use comes from crude oil and natural gas liquids, 26 percent from natural gas, 22 percent from coal, 4 percent from nuclear power, 5 percent from hydroelectric power, and less than 1 percent from solar and other "renewables," such as wind and biomass.

Moreover, forecasts by government and academic energy experts outside the petroleum industry see little changes in these percentages in the near future. The clear consensus is that this country will need to rely on oil and natural gas as its principal energy resources for many years to come. To protect national security, to shield the economy from sudden supply interruptions and to guard against the inconvenience and economic losses of shortages and gasoline lines, the United States must try to produce these supplies within its own territory, including its adjacent offshore areas. No other course makes sense.

Many studies from public and private sources outside the petroleum industry agree that much of this country's future oil and natural gas is beneath the submerged lands in the Atlantic, Pacific, the Gulf of Mexico and Alaskan waters. Under the best circumstances, however, it will take many years to explore the most promising offshore areas and to develop the oil and gas that is developed there.

But, by imposing leasing moratoria, the Congress has blocked efforts to find and produce offshore oil and gas. The areas placed off limits contain some of the brightest American prospects for major new discoveries.

The proponents of the moratoria base their case primarily on environmental concerns -- they warn of the danger of oil spills, blowouts and other offshore accidents. We respond to these points by citing the overwhelming evidence that offshore drilling operations are entirely safe and compatible with the ocean environment.

The facts are clear: some 31,000 wells have been drilled in state and federal waters in the United States to find and produce oil and natural gas. There has never been an oil blowout during exploratory drilling in U.S. waters. Moreover, there has been only one offshore platform accident that resulted in significant amounts of oil reaching the shore. That was 15 years ago in the Santa Barbara Channel off the coast of California. The damage from that accident was temporary and, today, as visitors can see, the channel area shows no lasting impact from the accident. In fact, even including the Santa Barbara incident, not a single area involved in federal oil and gas lease offerings held to date shows evidence of degradation to the coastal zone, the marine environment or the fishing industry.

Mr. Chairman, the benefits from offshore development are not limited to oil, gas and jobs in a few coastal states. The offshore industry is nationwide and includes hundreds of companies handling a wide variety of work. Offshore development has created thousands of jobs in inland states and communities that are far removed from the actual work of finding and producing offshore oil and gas.

The raw materials and equipment that go into rigs, platforms, seismic vessels, pipelines, refineries and other facilities are not limited to Texas and Louisiana.

Drill bits, drilling muds and special cements for both drilling rigs and production platforms come from California, Nevada, Wyoming, Oklahoma, Utah and Arkansas. Blowout prevention stacks are built primarily in Texas and California, with Raytheon manufacturing many of the sophisticated blowout prevention monitoring and control systems in Massachusetts and Rhode Island.

Drill pipe comes from a variety of sources in states like Oklahoma, Texas, California, Louisiana, Alabama and Utah. Pipeline quality pipe is produced by Brown and Root, McDermott and other companies from steel plate manufactured at U.S. Steel, Bethlehem and Kaiser Steel plants in California, Pennsylvania and a number of other states.

Crews and supplies are transported to and from rigs by workboats and helicopters built in Connecticut, New York, Texas, Louisiana, Oregon, Washington and Alaska. Shoes, hard hats and special work clothes are manufactured in Tennessee, Wisconsin, Texas, Kentucky, Pennsylvania and Minnesota.

There are many other examples of the nationwide efforts that support and service the offshore industry. This underscores the fact that offshore development is not only an energy supply issue, nor is it just a regional or local issue, but rather a national issue affecting jobs, businesses and economic conditions throughout the nation.

The economic impact of leasing moratoria on companies like Seal Fleet whose only reason for existence is to provide transportation services to the offshore oil industry would be serious at any time, but when it comes at a time when the industry is struggling through the worst downturn in its history, it is devastating. While our competitors from countries such as Norway offer vessels to our long time customers here in the United States at rates that would not be possible without the equivalent of subsidies from their government, we are faced with many problems often brought about by unwarranted enviromental concerns. Our customers are being offered very attractive financial inducements to do business with companies from such nations while our government exhibits a remarkable lack of concern by continuing to place obstacles in the way of our industry.

Mr. Chairman, the witnesses appearing today will discuss many of these issues in greater detail. Let me summarize our views by saying that we regard acclerated but orderly offshore oil and gas development to be a vital national necessity and that we urge the Congress to reject any efforts to renew or expand the leasing moratoria or to place other obstacles in the way of offshore development efforts.

Mr. **Stenholm**. Thank you, Mr. Bissell.

Now, I will welcome to our subcommittee the Honorable Mike Andrews of the 25th district for any opening remarks he might have. I will also give you the privilege of asking the first question, if you have one.

Mr. **Andrews**. I don't have an opening statement, but just to welcome you to Houston.

I'm delighted to be here. I would like to ask the first question. I'd like to direct my question to Mr. Bigelow.

You made a comment in your closing remarks about Federal Government needing to get its fiscal house in order. I wonder if you'd care to comment about what, in your opinion, has caused the Federal deficits that we now see ourselves faced with at approximately $213 billion now, by most estimates.

Second, what effect do you think these massive deficits have had, or are having, on businesses in the Houston area?

And then third, what, in your view as a small businessman, do you think Congress and the administration should be doing to alleviate the burdens of these deficits?

Mr. **Bigelow**. Mr. Congressman, my remark on fiscal policies was not exactly directed at the deficits; although I feel that the deficits certainly contribute to many of our problems today, I'm not certain that they are the sole culprit. I think that we have too many social problems, which are certainly—there's attempts being made to cut them at this time.

What I was really referring to in fiscal policy is that I have a feeling, personal feeling if you will, that the strong dollar is partially manipulated by various governments and, perhaps, including our own. I'm looking more at the strong dollar which affects my business because 90 percent of my business has always been export.

And I think some of the exporting countries, perhaps Japan, who can benefit certainly from the strong dollar, sell a lot more here. They can buy more elsewhere.

This is what I was referring to in the fiscal policy.

And I think that Congress and our administration should attempt, perhaps, to reduce the value of the dollar to a more realistic level. I think that would help many of us in the export business. And I think it would also help many of the manufacturers here in this country who are having to compete with cheap products being imported in this country, cheap because the dollar is so expensive.

Mr. **Andrews**. What would be your primary reasons for the massive trade deficit that we have?

Mr. **Bigelow**. The massive trade deficit, in my opinion, sir, is strictly because of the price of the dollar at this moment. That is in my opinion. Now, we have some protectionism across the water. We do not see as much of that in countries where our product goes, because our product generally goes to Third World or undeveloped countries.

But manufacturers who are trying to get their products imported into Europe certainly see it.

We see it from the standpoint of restrictions where, let's say, the French Government will finance a project, and they'll demand that the French product be used. We've missed some sales recently—or, missed an opportunity to bid because we're simply excluded.

But the Third World debt, if I may comment on this, I think this is one of the problems that the Third World countries are going to have because of the strong dollar. They're not able to earn the dollar to repay the debt, so we have kind of a rock and a hard place, if you will.

Mr. **Stenholm.** Mr. Fields.

Mr. **Fields.** Mr. Bissell, you were talking a moment ago about moratoria. Has your company lost business because of congressional moratoria in either offshore California, North Atlantic, or Alaska?

Mr. **Bissell.** I can recite specific instances in California where we had a contract with a company to start work in about 10 days, and because of—related to moratoria, specific type thing, because of blockage of getting on those leases that they expected to get on. This was coastal problems. But the job was never done.

But on a general basis, it's just another one of the many things that we face daily that reduces the amount of market that we have out there. Our business is strictly to provide transportation services, geophysical vessels to geophysical companies, supply boats to carry fuel, water, supplies and so forth to the drilling rigs. And anything that reduces the number of drilling rigs drilling anywhere in the world, and specifically here in the United States, affects our business. It affects it drastically.

Probably, 1984 is the first real specific instance that this made a big impact upon the amount of work available for us out there.

But it's not the problem, of course, in our business at this time. It's just one of the many things that we face that reduces the amount of market for our services.

Mr. **Fields.** Mr. Chouest, I see you shaking your head also.

Mr. **Chouest.** Well, there's a—OK. We're in south Louisiana, the Cajun land of the marsh, OK?

Mr. **Fields.** Como se ba.

Mr. **Chouest.** But leasing in California affects us because if there is no jobs there, then all the folks are here in the gulf. You know, there's a—it's a very flexible pool of boats. They're very much mobile. They can get there. It's not cheap to get them there or back.

But there's no doubt that that affects us every day.

You know, there's a lot of other Government things that affect us, too. I don't know if you want to hear about all of those. [Laughter.]

But there's one I'd like to make a brief comment about. The U.S. Maritime Administration has helped along and financed a lot of our bankrupt competition. And, you know, I'll have a lot of people jump on me for this, but this is the harsh reality: My tax dollars are helping to hurt me in that respect. And I think it's a little bit unrealistic on some of these issues.

You know, we're up there, and we have our money on the line, and we're struggling away. And yet, some unrealistic efforts are being financed by my dollars, also. And that's something of concern to small businesses because many of the small businesses are closely held or family owned or, I guess, long-life businesses that have been around 20 or 25 years.

How long has Seal Fleet been around?

Mr. **Bissell**. I hesitate to tell you. Back in the late sixties, 1967, 1968——

Mr. **Fields**. Mr. Bigelow, I have——

Mr. **Bissell**. May I say something——

Mr. **Fields**. All right. And then I want to come back to Mr. Bigelow and see what he thinks—or, how he thinks moratoriums have affected his company.

Mr. **Bigelow**. Well, no question there's been less activity that would use our product. It's very simple. We've seen it decrease over the last 2 or 3 years, in particular.

I think, if I might expound a moment on my answer on this fiscal policy and the strong dollar, I personally think that that has had an effect to make foreign oil cheaper, and I think, perhaps, has slowed down our production here and the desire to get out and find more oil.

We don't see the activity on the part of business to go out and find the oil today that we did a few years ago.

Again, I go to this strong dollar. And from where I stand, I think that that's—of course, that's my ox is being gored, if you will, but that's the thing that we see that caused a lot of problems today, sir.

Mr. **Fields**. Yes, sir, Mr. Bissell, you had a comment?

Mr. **Bissell**. I had a specific thing that doesn't deal with one company alone, but I thought it might be of interest to you since—in regard to the question that you asked me originally.

Moratoria in other States, in other coastal States, had an effect that I think it worthwhile that Congress know about that affected many, many companies here in the Gulf of Mexico. It seems that we don't—we're not faced with moratoria in the Gulf of Mexico because we understand—we think we understand the situation better. And evidently, we don't have the number of people, environmentalists, that exert enough pressure to cause that type thing.

But this summer, this past year, in one specific field which Chouest and Seal Fleet both supplied vessels to geophysical companies that work in the Gulf of Mexico and worldwide. But because of the moratoria in other places, and not totally because of that but partly because of the world situation, we need a good place in some other part of the world where we can find some big oil. For us.

But all the geophysical vessels, basically, in the world came to the Gulf of Mexico last year to work in the areas that had been leased in the good lease sales that we had. And there were so many, including our foreign competitors who are able to work in the U.S. waters with geophysical, where offshore supply vessels can't, but they came here. And it affected our customers, who are geophysical companies, as well as it did us. It probably affected them more.

They had contracts to do work on those leases, and there were so many vessels there working that they had to share time. One company's vessel would shoot one line, line of geophysical work, go to the end of the line while 10 more waited their turn because of the excessive number of vessels working there.

Understanding geophysical work, it's mainly generated to get the information of reflected energy. Sound, of course, can't be confined in a small area. So, the rest of them had to stand by while the other companies took their turn in this area.

So, companies—one specific instance, one of my customers had bid a job on the basis he could complete that job in a certain length of time. Because of the delays having to wait for other boats to shoot, they lost $6 million on one contract.

So, that definitely affects us. And that's direct result from the moratoria.

If we'd have lease sales in other parts of the United States, some of those boats would have been working there.

Mr. **Fields**. With the indulgence of the chairman, I'll ask one last question. It's a general question to the panel.

As I understand it, there are approximately 11 steps in the offshore leasing process. Do you have any suggestions for us to take back to Washington as to how to streamline that process of things that are unnecessary in the offshore leasing process?

Mr. **Bissell**. We need counsel.

Mr. **Bigelow**. Yeah, I think so. I'd say cut out some steps is the obvious thing. [Laughter.]

Mr. **Fields**. Well, things such as identify the area of geologic potential, call for information, publish your notice of intent, prepare an environmental impact statement, area identification, draft environmental impact statement, public comment period, final environmental impact statement, proposed notice of offering, Governor's comments, final notice of sale, sale, bid review, lease issue.

Mr. **Chouest**. There are some things that can be done. Those are the steps, but those aren't the obstacles. OK?

If we do the steps, that's fine. But those steps aren't really slowing us down.

Things like 8(g). The 8(g) issue is slowing us down, and I think that's—absurd is a nice word for it. I think allegedly grown men that are supposed to be responsible are just really being ridiculous over this issue. I think both on the national level and at the State level. Because it's essentially a little civil war where, really, everybody's losing. And including us, too.

So, I don't see—you know, it's like a Rocky fight. You know, here you are at the end and, sure, somebody's going to win. But who in the hell cares, everybody's so beat down because of it.

Mr. **DeLay**. Excuse me, if you'll yield.

What's 8(g)?

Mr. **Chouest**. The 8(g) issue is where revenue from pools of oil that border Federal and State waters are trying to be split up. And there's much debate—I think the Government and the States. And it's been worked on for I don't know how many years before I've been involved with this type of work and Government affairs. And it's still going on. There's not much of an end in sight.

But there's, apparently, a couple of billion dollars somewhere in escrow that nobody can use because nobody knows who it's for. It's going to get to the Supreme Court, and I think that's way too far. That's one thing that could be done. There's no doubt about that.

And also, clarifying, just not hurting us in other methods of regulation. As Mr. Bissell mentioned, we have very much Government-subsidized competition in the geophysical area. And specifically, it comes from Norway. And Norway will go to another company and say,"Hey, if you hire our boats, we'll build you some roads and schools." And, you know, they do all these things in a socialist structure, which they very definitely have and they use to the advantage of exporting some of their technology and equipment.

So, you know, I don't think it's realistic for the U.S. Government to do the same thing for us, but at least don't hurt us. You know, at least don't beat us on the head with some stuff and let us compete on as fair a basis as possible, especially the smaller businesses when we're looking at long-term work. Because what I said is exactly true. You know, it's real hard for us go, quite literally risking our necks, when larger companies can because of the uncertainties of the market.

So, I think that's one way to streamline it is look at the obstacles, and I don't think we really need to change the 11 steps. I think they're fine and logical and reasonable. But it seems as though logic and reason have nothing to do with what actually happens. And it's very frustrating.

Mr. **Bissell**. Congressman, I think it's a good comment. We're really not qualified to answer that question. But I can suggest someone that is, if Congress will listen to them. I know that to be basically honest their credibility in the past has been questionable, sometimes, as to their motives. But the people that can answer the question that you asked definitely is the producer. They know. They have spent the time and money, gone through those details. They can help. If Congress will listen to them, they can help. Listen to them with an understanding ear. But there's where you can get the answer.

Mr. **Chouest**. There are people at NRA that do this for a living, and we run businesses for a living. So, I can just say how it relates to me, you know. But, yes, we do have people that could probably give you a nice technical—just how to do it.

Mr. **Fields**. Well, as I say, that's the reason for me to ask the question, to give you the opportunity to supply the information to this committee. Chairman Stenholm is trying to build a record as to how offshore development affects small business people, but also, it's my understanding we'll ultimately take this information to the Appropriation Committee when they consider moratorium. So, it's important to build as good a record as possible, and if you have that information, I'm sure the chairman would be amenable to that being submitted.

Mr. **Stenholm**. Absolutely.

Mr. Bustamante.

Mr. **Bustamante**. Yes, sir. Thank you, Mr. Chairman.

Mr. Bigelow, we hear about the overvalued dollar and how great it is to have a strong dollar. And yet, you say that is really hurting us, and it is. It's hurting, especially the oil industry.

Were you proposing that we put a tax on imported oil or energy products?

Mr. **Bigelow**. No, sir, I am not. I am not an economist. I really don't know what the answer is, except that I think the dollar ought to be less strong. I think that, to some extent, it has——

Mr. **Bustamante**. How do you get there?

Mr. **Bigelow**. I really don't know, sir. If I did, I might run for office, or at least start writing a column. [Laughter.]

Mr. **Bustamante**. You'd be in trouble there.

Mr. **Bigelow**. I probably couldn't make it. But to answer your question, I have no idea.

Mr. **Bustamante**. Let me ask you, you know that Congress has to act. When we relaxed the quotas on Japanese imports in the car industry, we had——

What was the trade deficit, Mr. Chairman? About $50 billion?

Mr. **Stenholm**. With Japan, it was $37 billion. The total was approaching $150 billion.

Mr. **Bustamante**. Yet, the Congress acted and told the Japanese that we're going to do something about it if they do not relax some of their restrictions on U.S. imports.

The Japanese seem to have reacted. Hopefully, they will react favorably so that we can have a balance of trade.

I would imagine that the sense of the Congress was to come in with a tax or a tariff on Japanese imports into this country.

Now, did I understand you to say that less exploration has made oil cheaper?

Mr. **Bigelow**. No. What I meant to say is that I believe the cheaper oil, the stronger dollar has made the purchase of oil we buy overseas cheaper. The dollar buys more.

Now, I think that that has an adverse effect on exploration in this country. That's what I was trying to get across.

Mr. **Bustamante**. Well, I, like you, am concerned about the amount of oil that we might need in the 1990's. It would appear that we'll be about 53 percent dependent upon foreign oil. Yet, I do not understand some of the policies that we have, and they're administrative policies.

We're buying some crude oil from Libya. We have an embargo on Libyan crude oil. We do not have an embargo on finished products from Libya.

We can't have it both ways. You know, we're telling the world that Qadaffi is an exporter of terrorism around the world. Yet, somehow, we are supporting that terrorism by buying finished products.

And the administration says: We have an embargo on crude oil. Yet, there are a couple of traders who are bringing it into the country. Not very much, mind you.

Oil is being transshipped through export refineries in Italy and in the Caribbean.

These are some of the things that are taking place that are really hurting your business.

And so, we've been exploring some of these areas on the subcommittee that I'm on. What type of policy do you really want? Do you want us to put a tariff on imported oil or not? Maybe it will help you in the export——

Yes, sir.

Mr. **Bissell**. Instead of a tariff on imported oil, I think what we're here for today is to reduce imported oil. We can reduce imported oil by finding oil in these United States. That's what we're here for today. Find oil in the Outer Continental Shelf of the United States. A reduction of imported is——

Mr. **Bustamante**. Don't you think it will hurt you by glutting the market?

Mr. **Bissell**. Reduce the necessary imports. Use U.S. oil.

Mr. **Bustamante**. Well, why is the refining capacity moving out of the country?

Mr. **Bissell**. Back to the dollar.

Mr. **Bustamante**. Because they can get cheaper labor?

Mr. **Chouest**. Labor unions.

Mr. **Bustamante**. They can get cheaper labor?

Mr. **Chouest**. Sure.

Mr. **Bustamante**. Is that what it is?

Mr. **Chouest**. That's one reason.

Mr. **Bustamante**. So, you're talking about jobs? So, we are exporting jobs to some of these other areas, too?

Mr. **Bigelow**. No question.

Mr. **Bustamante**. Well, let me ask this. What is tax simplification going to do to you, as has been recommended by the Treasury Department? To the energy industry. Are you acquainted with the tax simplification plan?

Mr. **Chouest**. Well, with many of the proposals, there are some that eliminate some of our depreciation and ITC——

Mr. **Bustamante**. Is that the Treasury proposal that was made?

Mr. **Chouest**. I know without ITC any new construction we have would not exist. With the nature of the market, ITC is pretty much the only profit we have.

Mr. **Bustamante**. Would you be for the tax simplification as it's been presented to us?

Mr. **Chouest**. OK. Anything that gets rid of ITC and much of our depreciation makes investment impossible, and I wouldn't be for it.

Mr. **Bustamante**. OK. Senator Bentsen was telling us what the plan's effects would be and that Texas would pay a high price in the energy-related industries. And in some other areas, too.

So we've been getting a lot of letters supporting tax simplification. All of us are for tax simplification. If we change our tax system any more, we're really going to have a mess on our hands.

Thank you very much, Mr. Chairman.

Mr. **Stenholm**. Mr. DeLay.

Mr. **DeLay**. Thank you, Mr. Chairman. I'll be just as brief as I can.

What I'm hearing from this panel is that Federal policies, Federal intervention has seriously hurt the oil industry and, in particular, your small businesses.

Mr. Chouest.

Mr. **Chouest**. Yes.

Mr. **DeLay**. You say that even Federal Government bailing out companies that are not viable companies that are going bankrupt is putting you under undue competition. From what I hear you saying, Mr. Chouest, is that you ought to have the freedom to succeed in this country, but you also ought to have the freedom to fail in this country.

Mr. **Chouest**. Exactly.

Mr. **DeLay**. And, Mr. Bigelow, I want to get back to the moratoria a little bit. Can you tell me—it seems like you went around and around about moratoria and Government policies, and we've had the strong dollar. Let's touch real quickly because Congressman Andrews brought it up on the strong dollar and the deficit.

Have you heard the scenario that the deficit removes capital from the market, and that drives up the interest rates, and the interest rates cause the strong dollar; therefore, the deficits ought to be cut by cutting Government spending?

Mr. BIGELOW. Yes, sir, I've heard that. I'm not sure I entirely agree with it. And I am not attempting to fully understand it at this time.

Mr. FIELDS. Could you tell me specifically what impact continued moratoria on leasing could have on your business over the next few years?

Mr. BIGELOW. Well——

Mr. FIELDS. Specifically, your business, not the industry.

Mr. BIGELOW. I would suppose in my business, in particular, inasmuch as the volume is down now, where I used to be relatively good sized, 40, 50 million a year, my sales now are in the 10 to 12 million a year. And we could anticipate, based on history of, let's say, 2, 3, 5 million a year in direct sales to the offshore, and not simply gulf coast. I've built units for all over the world and shipped them out of the Port of Houston. Offshore units, not our other products.

And with the dollar as high as it is, we're having to look to domestic business, both the military which we've done a lot of—and incidentally, building of homes for military going to an overseas area right now—121 of them are prefab homes. I'm not building very much housing for the offshore industry at this time.

But because of the moratoria, where we would normally look for additional business from offshore uses, we're looking elsewhere now to keep our sales at a break even. Frankly, we haven't broken even for 2 years. We might this year with a little bit of luck.

This moratoria, and if it continues, I don't anticipate the offshore development that would require our products that I would have hoped for.

And I would imagine, to answer your question, for us probably 2 to 3 million in sales that I would anticipate receiving from surveys we've done probably won't be there.

And this is going to represent about 15 to 25 percent of what sales we hope to maintain during this overall slump.

Mr. DELAY. So, you're really not making a profit now, are you?

Mr. BIGELOW. No, I am not. In fact, I'll be very lucky to break even. I said a while ago I'm getting smaller, and I wasn't just joking.

Mr. DELAY. How long could you stand additional losses of 2 to 3 million in sales?

Mr. BIGELOW. Probably another year.

Mr. DELAY. Before you'd get to that freedom-to-fail point.

Mr. BIGELOW. Before I get to that point, to decide that 30 years is enough of this and hang it up.

Mr. DELAY. Thank you, Mr. Chairman, for your indulgence.

Mr. STENHOLM. I have a couple of brief questions.

Mr. Chouest, you were talking about the financing of bankrupt competitors. Give me an example. Specific names are not necessary, but I would like to have an example.

Mr. **Chouest**. Sure.

I'm sure you're familiar with the U.S. Maritime's lending program where—the purpose of this program—I guess, like many others, gets a little perverted somewhere along the way. But in the U.S. shipping industry we don't have a lot of U.S.-flag merchant ships compared to other countries. That's what this was set up for.

The money was also used and somehow got into offshore support vessels as merchant ships. I'm not sure of all the details. We've never applied for anything like that, and I'm not sure how it was done.

But many of these companies jumped into the business when things were on the upswing right after the embargoes and then all this mad boom that we had recently. So, there were many companies that got involved with very little experience in the industry and possibly an unsound basis and questionable operating practices. I guess more investors than professional people that had done it as a career.

So, it's not too surprising that when the downturn came about, these companies were not operating very efficiently and had trouble meeting their debt. So, rather than eat much of that debt, much of it has been refinanced.

We know of some operators that, unable to pay the note, they said,"OK. You're on a hold. We're not going to seize the equipment. You're just on hold." So, they're out there operating without a daily note to meet, such as we have. You know, it'd be nice if our banks were so considerate, but they're not. They've been too considerate, and many have gotten themselves in trouble. Not our banks, in particular, but the industry's lending institutions.

Another example is vessels—a company that was just insolvent, and they said,"OK. We're going to shut down."

Of course, since that peak 2 or 3 years ago, our costs really haven't changed. Our personnel costs are down a little bit, but our maintenance costs are up. So, that's what we're faced with.

You know, if the Government wants to lend and be a financial guarantor, that's fine. I'm all for that. But I think we need to keep things fair and reasonable. Some of these things are unfair and unreasonable, and they're going on right now.

We have purchased—I guess two of the vessels we purchased from Maritime Administration that had been seized in looking for some expansion.

But just inefficiency in that area has made quite an impact on us.

Mr. **Stenholm**. You don't know how familiar this sounds to a Congressman who happens to represent central west Texas, which is both an oil and gas district, and an agricultural district. And you talk about getting a double whammy right now. Both industries are catching it for all the reasons you've articulated this morning. It matters not whether we're offshore or onshore. Foreign competition, or the lack of export opportunities today in agricultural products because of the strong dollar, is hurting us. We should park our tractors and quit producing because we cannot compete with the dollar at the strength that it is today. As a farmer myself, there is no way I can compete with a forty percent advantage being given to foreign competition through the dollar. I'm very, very sympathetic.

I was hoping you would have a solution to offer today to that strong dollar.

I think each of you have adquately addressed the fact that the moratoria matter, even if we're not facing them in the Gulf of Mexico. If they are occurring somewhere, they are affecting the industry.

I think you, Mr. Bigelow, have been most affected by the moratoria.

Mr. Bissell, I have one last question. You mentioned the subsidized competition of foreign vessels. This is another subject that I'm very interested in, because of my work on the Small Business Committee, as well as the Agriculture Committee. As you know, the United States is having problems with subsidized foreign competition in the area of vessels and shipping.

Can you briefly give me another example? You gave one about the flooding of the waters, but can you give me——

Mr. **Bissell.** I'll try to be very brief, but I need to talk to you sometime because of my experiences with the Offshore Marine Services Association, we have been fighting this situation for about 5 years.

Back about 5 years ago, the first effort by a foreign country to come in and circumvent the Jones Act took place by the company, Smitt-Lloyd, which set up a wholly owned company in the United States and called it Beale Offshore. It had some of the same officers. One of the vice presidents of Smitt-Lloyd was the vice president of that company.

They bought two American-flag vessels, and the Maritime Administration mistakenly let it slip by. Those people began to use those vessels in servicing drilling operations in Alaska.

We can fight that problem because we have adequate law to protect us. The Maritime Administration has agreed that they have made a mistake and that they will never do it again. They put that in the Federal Register.

However, instances have taken place within the last year that has caused them to come back and say: Yes; we said that, but we are not sure that we're going to abide by that.

Because the same thing's being done at the very moment. A foreign corporation from Norway joined forces with an American oil company, one of the larger American oil companies, and increased the size of that foreign company that's in the same business that we are by about 40 percent, what we consider illegal as far as the Jones Act goes, by forming this 25–75 percent partnership with this oil company in the United States, and they provide the vessels for this oil company as a partnership. That's one case.

Another very—and we've tried to fight that as an organization, and we can't because this oil company is very particular in going to different parts of the Coast Guard headquarters to document this thing. And our attorneys get involved in a very well-covered-up scheme.

However, we know. I could explain it to you, and you'd recognize immediately, it's illegal. But it's probably going to fly, continually fly, because the impact——

What Norway had to offer was in support of that company, the Government of Norway tells this company: If you want preferential treatment on some concession you have off Norway, do this and you've got it.

And the president of that oil company specifically told me that the bottom line was so great that they couldn't afford to do it.

Now, I have no problem with the companies—with the foreign companies competing fairly. We don't have anything to compete with what Norway does.

For example, one of my customers at the present time is being offered new vessels built for them under what is a subsidy from the government. We can't match it.

And they'll buy all the company's up front and let them pay it out over a 5-year period by the day, by the month. And the company doesn't have much of an investment to start with.

Where, if I furnish them a vessel, they're going to have to put up a big investment at the start, and the longer they keep it, it'll work to their advantage. But I can't match Norway. They'll start out at a low charter rate.

So, there are multitude of ways that they're working. And it's not just Norway. We're not trying to pick them out. They're just so good, we have to recognize them. But they have the support of their government to go out and offer people very low interest rates as inducements to do business with their national companies.

Mr. STENHOLM. Thank you very much. I appreciate all of your testimony and your answers to the questions.

The record will remain open for several days. If you have anything additional that you would like to submit for the record with regard to this hearing, we would appreciate having that on any of the subjects.

Thank you very much.

Mr. CHOUEST. Thank you.

Mr. STENHOLM. I'd like to call our second panel, Mr. Ackerman, Mr. Gipson, and Mr. Heitman.

Please identify yourself and who you represent; your entire statements will be made a part of the record, should you choose to summarize.

Mr. Ackerman.

TESTIMONY OF GENE ACKERMAN, PRESIDENT, ACKERMAN & ASSOCIATES, INC., HOUSTON, TX

Mr. ACKERMAN. Mr. Chairman, my name is Gene Ackerman, and I serve as president of Ackerman & Associates.

I will address today the so-called areawide leasing approach that the Department of the Interior is applying to the leasing of offshore oil and natural gas tracts.

The term,"areawide leasing" is a misnomer which probably has contributed to some of the misunderstanding and misapprehension surrounding the Outer Continental Shelf Program. "Areawide consideration" is a more appropriate term to describe the process which actually takes place.

The 18 OCS planning areas originally opened up for consideration under the 5-year plan contained some 985 million acres. Critics charged that the Reagan administration's objective was to place the entire amount under lease, making repeated references to a billion acre program. An examination of the facts proves that acreage of this magnitude is neither being offered nor leased. In sales held to date under the new program, less than half of the acreage initially considered for lease was subsequently offered. Moreover, less than 5 percent of all that acreage offered in the first 14 lease sales held under the 5-year schedule was actually leased. The OCS leasing process involves a winnowing of acreage leased to a reasonable level which compares favorably with other countries which have used the areawide approach successfully, such as the United Kingdom and Canada.

In 1983, the U.S. Court of Appeals for the District of Columbia Circuit, directed by Congress to review challenges of any decisions made by the Secretary of the Interior in developing an Offshore Leasing Program, upheld the legality of the areawide approach in a suit brought by five coastal States and several environmental organizations. At the time the court upheld the legality of all other aspects of the 5-year program and rejected a challenge that the new program would not assure receipt of fair market value of leases.

The basic concept of areawide leasing is to provide a more effective way of establishing priorities among possible exploration sites. Oil companies can identify, bid for, lease, explore, and bring into production these offshore Federal tracts that, in the companies' estimation, have the greatest potential for producing quantities of crude oil and natural gas.

Under the previous leasing programs, the Federal Government offered oil companies only a limited area in which the companies were invited to indicate which tracts they would like to lease under the current program. A much broader range of possibilities is offered. Companies still make the best selection they can and then bid on them competitively. Nothing is being given away. Oil companies paid the Federal Government more than $9 billion in cash lease bonuses, rental fees and royalties during 1983. Minimum acceptable bids have been increased sixfold, and even high bids far above the minimum have been rejected if regarded as inadequate. Bidding is open to all companies that can meet the qualifying standards set by the Government. Increasing numbers of smaller companies are participating, frequently through joint ventures with other companies.

Mr. Chairman, the National Ocean Industries Association, of which I am affiliated, and its hundreds of member companies strongly support the areawide leasing approach as the most practical and effective approach for the accelerated but orderly development of the Nation's offshore oil and gas resources. We believe areawide leasing is the best means available for achieving our offshore energy development goals.

Mr. Chairman, in the closely related area of offshore revenue sharing, NOIA supports the revenue sharing concept and hopes to be able to support legislation that provides for a fair and equitable distribution of offshore revenues to the States without imposing excessive requirements that can slow down or discourage offshore development.

We, of course, remain concerned about the continuing controversy over the division of revenues from 8(g) lands—acreage that abuts the perimeter of State-owned offshore lands—between the States of Louisiana and Texas and the administration. NOIA representatives have had meetings on the 8(g) issue with the Governors of Louisiana and Texas and with officials at the White House and the Justice and Interior Departments. We have urged all parties concerned to expedite settlement of this dispute in a fair and reasonable fashion.

I hope this gives you and your subcommittee a good understanding of where NOIA stands on these issues that are critically important to the effort to develop the Nation's offshore oil and natural gas resources.

Mr. Chairman, I, personally, have been involved with NOIA during the time I was with a major oil company, while with a medium sized independent, and now as a small businessman. Thus, I feel like I have contributed from several angles to the foregoing policy statements generated by NOIA members.

Ackerman & Associates is a small, geophysical consulting firm that came into being 2½ years ago, the worst possible time in the oil business. It is my opinion that many of the small businesses begun during the past few years are a result of the turmoil in some of the large oil companies. These small consulting firms do not expect to go out and bid on the offshore lease sales, but they will mold plays, expand concepts, delineate areas, and accentuate state-of-the-art programs as a service and in conjunction with the larger companies that do. In support of this point, well over 80 percent of the income for Ackerman & Associates has a direct link to the OCS development.

Mr. Chairman, at the time of the oil embargo, over 10 years ago, the President of the United States challenged the oil industry. That challenge was for the United States to become self-sufficient in hydrocarbons. I believe that the areawide consideration or leasing sales approach that the Department of the Interior is applying is a major step toward meeting this challenge.

One consideration that may have been overlooked in the offshore flurry is that while the companies with larger budgets or cash positions are exploring for offshore hydrocarbons, there is an opening for small firms to explore onshore.

In closing, I'd like to leave you with these thoughts: First, I felt almost forced into the world of small business due to the downturn of the oil industry; and second, because of the areawide consideration sales, I am still in business after 2½ years.

Thank you.

Mr. **Stenholm**. Thank you.

Mr. Gipson.

TESTIMONY OF WILLIAM E. GIPSON, JR., PRESIDENT, TRECO, INC., HOUSTON, TX

Mr. **Gipson**. Yes, sir. My name is Bill Gipson. I'm president of a company called Treco, Inc. We supply and service generator sets, pump sets, and compressors, with approximately 70 percent, 60 or 70 percent of our revenues coming from the offshore drilling construction and drilling contractor and producing companies, with the balance coming from the petrochemical and refining industries.

We've been in business for approximately 50 years. I've been running the company for about 10 years, and I've seen some tremendous growth and some tremendous slide in our industry over that period of time.

In the written testimony that I've submitted to the committee, I've chosen to discuss, basically, my feelings on the moratorium as they've been affected by the fair pricing rule. Much of the discussion, as it centered on the moratorium, has come from environmental issues. But there's also an area of whether or not—or, some discussion as to whether or not the present pricing system is fair.

While I'm not a producer or an operator in the Gulf of Mexico, common sense tells me that the present sealed bid system that's used, the bonus money that's put up on a very competitive basis by the major operators, I think there are about 35 major operators in the Gulf of Mexico, it is certainly a competitive business. I mean, it's certainly raised billions of dollars for the U.S. Treasury.

In addition to those billions of dollars, the Government receives in normal cases approximately a 1/6 royalty off the run. They receive a windfall profit tax, receive corporate income tax off of the profits that are made, and the employees that are working for the corporation are paying personal income tax.

Therefore, in just brief summary, I feel that the present pricing system is fair. I think it's competitive. My friends that are producers seem to believe that the total amount of moneys that have been spent offshore have not even been recouped. And I've seen some studies to indicate that.

As the moratorium affects my small business, Mr. Bigelow indicated earlier that his company had experienced financial losses the past 2 years. My business has just finished its third year in the slump, and we've had 3 years of negative earnings.

The slump, which is due in part to the moratorium, has affected my employment by approximately 35 to 40 percent. We have offices in Lafayette, New Orleans, Houston, Corpus, and Beaumont, all of which are affected by the downturn in the energy industry.

One of the Congressmen discussed whether or not—or, ask one of the panelists earlier whether or not there should be a tariff on imported oil, and I don't think that ever got answered. If it did, I couldn't hear it back there. I, quite frankly, think there should be a tariff on imported oil.

I'm also very close to the refining industry, and I don't think that issue got addressed. The refining industry is in a slump due to several reasons. Part of it is due to offshore refining, but a major part of it is due to conservation. We've seen the smaller, independent refineries close up. The larger refineries are becoming more efficient. Cars are smaller. The 55 mile an hour speed limits. All had some effect on this.

The tariff, I think, we've got a problem with you've got some of our underdeveloped countries that are major, worldwide producers of crude. They've got a meter running on their debts, and, as we all know, if they can sell it at $25 and get $25 in instead of $30, they're going to do it to make their obligation. And this puts downward pressures on domestic price of crude and, therefore, affects the price which, in turn, affects the incentive to go out and find it. And I think a tariff on imported crude would strengthen the Treasury and also foster added exploration—or, encourage added exploration in the United States.

In closing, just to touch on a couple of other comments that were made by the panel prior to me, it just makes common sense to me that when you're importing 30 to 35 percent of your crude oil and you've got tremendous reserves at home that we are doing ourselves a great disservice by not doing everything that is possible to encourage exploration.

Hopefully, through an end to the moratorium, a tariff on imported oil, we will see an improvement in the domestic production.

Thank you very much.

[Mr. Gipson's prepared statement follows:]

PREPARED STATEMENT OF WILLIAM E. GIPSON, JR., PRESIDENT, TRECO, INC., HOUSTON TX

Mr. Chairman, my name is William E. Gipson, Jr. and I serve as President of Treco, Inc., an oil field service company headquartered in Houston, Texas.

Mr. Chairman, this morning, I will address the question of fair market value -- which has been raised by some opponents of the Department of the Interior's five-year leasing program.

The opponents have criticized the five-year program claiming that, because of the sheer magnitude of the program, the government will not receive fair market value for the leases. Similar criticism has been leveled at federal leasing practices in the past. The concerns are unfounded, but must be addressed factually to avoid further disruptions in the timely discovery and development of our nation's offshore oil and gas resources.

The concept of "fair market value" has its source in Section 18(a) (4) of the Outer Continental Shelf Lands Act, which reads, "Leasing activities shall be conducted to assure receipt of fair market value for the lands leased and the rights conveyed by the Federal Government."

This mandate leaves to the discretion of the Secretary of the Interior the means whereby fair market value will be secured. Even a cash bonus bidding system is not required. Section 8 of the Act specifies seven possible bidding systems, including work commitment bids in combination with either fixed or sliding scale royalties. However, none of the bidding systems is mandatory. The law does not require the Secretary to assure receipt of maximum dollar return.

In the OCS leasing program, the market value of the tract depends on the oil and gas prospects of the tract, the expected prices and volumes of oil and gas at the time any hydrocarbons found on the tract are produced, the costs of operations associated with the tract, the supply of leases, financial and market considerations, and the willingness of potential bidders to take risks. The market value of a tract is not the market value of the oil and gas eventually discovered or produced on it. Instead, it is the value of the right to explore, develop and produce the tract if there is a discovery, subject to a wide array of constraints. Therefore, the market value of a tract is its value at the time it is offered and not necessarily the value of the lease at a later time.

Federal OCS revenues are in the form of cash bonuses, royalty payments, taxes and rental payments, the latter being only a minor contributor. Testifying before a Congressional hearing in 1982, a Department of the Interior official said that, although bonuses involve billions of dollars, historically they have made up only about 25 percent of the total income received by the Federal Government from OCS activity. Most of the remaining 75 percent comes from royalties and taxes. OCS Sale 71 in the Beaufort Sea, held in late 1982, is a good example which illustrates the comparative importance of royalties and taxes to the Federal Treasury over that of bonuses. Total high bids in OCS Sale 71 were $2 billion. The Department of the Interior estimates the resource potential of the lands of that sale could produce royalties of about $12 billion and taxes of about $5 billion. Thus, Interior anticipates $6 in royalties during production of every dollar of bonus bids and more than $2 in taxes for every dollar of bonus bids. Therefore, while lease bonuses are an important revenue source, the greater benefit to the Federal Treasury is to be realized from the increased royalty and tax revenues generated by accelerated leasing. After the Internal Revenue Service, the OCS program represents the largest single source of revenues the government has.

Interior Department reports show that, through 1983, the federal government received a cumulative total of $68 billion in offshore lease bonuses, rentals and royalty payments. That revenue figure -- which does not include the income taxes paid by companies operating offshore -- represents 54 percent of the total value of $126.6 billion attributed to the oil and gas produced from those leases over the past three decades. For their share of the funds generated by offshore operations, the petroleum companies took all of the financial risks involved. They paid their exploration, development, production and transportation costs, as well as so-called windfall profit taxes, federal income taxes and various state and local taxes.

Dr. Walter J. Mead of the University of California at Santa Barbara and other economists analyzed rates of return realized by oil companies on the 1,223 offshore oil and gas leases in the Gulf of Mexico that they purchased in the period 1954-1969. The internal rate of return for the entire group of oil companies averaged 10.74 percent after taxes, compared with a return of 11.8 percent for all U.S. manufacturing corporations in the period 1954-1980. The study pointed out that 62 percent of the leases studied produced nothing but dry holes, while 16 percent produced some oil or gas but were unprofitable. Only 22 percent of the leases earned a profit.

Under the current five-year program, the government has increased the minimum bid per acre from $25 to $150 to help assure receipt of fair market value on the many tracts with modest prospects that will be included in the larger sales to be held. In addition, the current plan provides for a shift away from presale tract evaluation to postsale tract evaluation in order to reduce the total tract evaluation effort by eliminating work on tracts that do not receive bids. The new procedures rely more heavily on competition in determining whether a bid should be accepted or rejected.

One of the most attractive elements of the new program is the regular repetition of whole area sales every one or two years. The history of oil and gas exploration contains many examples of years of unsuccessful drilling in a region, followed suddenly by a major commercial find. Prudhoe Bay in Alaska, the Hibernia Field on the east coast of Canada, and the North Sea are all examples of this scenario. The periodic reoffering of tracts not previously leased will allow market values of these tracts to take into consideration new exploration information as it develops. Should there be promising discoveries, American taxpayers will be in a position to benefit.

In regard to the moritorium issue in general, not only is this country importing significant quantities of oil from foreign sources, but delay in developing our offshore resources has a severe economic impact on many areas of our country, like the Gulf Coast Region.

My own small business derives approximately 70 percent of its revenues from servicing offshore exploration and production activity. Not only service companies like ours, but banks, retail establishments, home building contractors, and virtually every other type of business imaginable, would suffer severe economic damage from continued or expanded withdrawals of federal lands from offshore lease sales.

Not only are we affecting our balance of payments negatively, through continued huge oil imports, but past opposition to OCS leasing has had a severe economic effect on scores of communities in the Gulf Coast Region, literally hundreds of small businesses, and thousands of both blue and white collar workers.

To me, it makes good common sense to get the country closer to energy self-sufficiency. It concerns our national security and our economic vitality. With this country's largest oil reserves now lying off our shore, it doesn't make common sense to hinder their development.

In summary, Mr. Chairman, the government's current lease evaluation procedures and schedule of lease sales itself permit market forces to play a greater role in determining lease values. This is workable and necessary given the scope of the current five-year program and will assure that American taxpayers continue to receive fair market value for OCS leases in the future.

Mr. STENHOLM. Mr. Heitman.

Mr. HEITMAN. Thank you, Mr. Chairman.

TESTIMONY OF LYNN B. HEITMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, TALON TECHNOLOGY CORP., RICHARDSON, TX

Mr. HEITMAN. My name is Lynn Heitman. I am president and chief executive officer of Talon Technology. We're a small, high-tech data communications systems manufacturer. We principally serve the offshore industry worldwide.

Our company is just barely over 2 years old. We were formed at the height of the oil exploration activity, similar to what Mr. Ackerman was discussing, and we currently employ 15 people. So, we are a small business.

One of the problems I want to talk to you about today is the moratoria and how it has affected our company, both in terms of our ability to grow and our ability to stay in this market.

We're headquartered in the city of Richardson, which is a suburb of Dallas. Dallas, is a data communications center.

Talon's products are used to move the data that's collected in the oil industry, from remote crews to central computing centers where it's used to evaluate the oil potential of an area.

Our products use new high-technology techniques. They involve satellites, computers, and peripheral equipment. In that regard it's a little different part of the industry than previously covered today.

We are affected by the foreign sales situation. The strong dollar has placed our equipment in a bad cost situation with some of our foreign competitors. This is particularly true in the North Sea area where we have had difficulty marketing our products.

One of the most important points was mentioned by Mr. Stenholm in his opening remarks about small businesses, and, frankly, I'm very happy to be part of the small business community for the following reasons:

Small businesses create the bulk of new jobs and opportunities in our country. As Mr. Stenholm pointed out, 80 to 85 percent of the new jobs are provided by small businesses. We've been able to create 15 jobs in our company in the 2 years we've been in business. In many cases, we have hired people who have been displaced in the oil industry. And we're very happy to have been able to do that during a very difficult period in this industry.

Small business really does help the gross national product, improve our tax revenue situation and, generally, promote the socioeconomic health of the Nation. I think that's something we need to keep in mind during this hearing.

Talon is typical of a lot of other small companies in this industry. It has been hurt by the moratoria. Sales of our high-technology equipment have been negatively impacted like the sales of supplies and services in the industry. We share the common goal of eliminating these moratoria.

High technology is important because it keeps us at the forefront of this industry. Our oil industry technology is second to none in the world. Keeping high-technology companies strong is a very important thing from a long-term standpoint. It gives us a strategic lead on our foreign competition and will help keep our industry strong.

We have a strong oil industry in this country. We need to do everything we can to advance technology and maintain our strength.

One of the most important aspects of the moratoria is its effect on the reduction of exploration and development budgets. There's no question that the moratoria and the potential of more moratoria hang over us like a dark cloud. This cloud affects many of the oil companies that would like to explore and develop some of the most promising areas offshore. We run into this all the time in discussing our equipment and services with these customers and it is really affecting our business. People are uncertain about what's going to happen in the industry.

Lower oil prices combined with the moratoria are limiting our ability to explore some of the most promising areas.

Mr. Bissell talked about the geophysical industry. I've worked in the geophysical industry about 20 years. I have ridden seismic vessels like those he talked about and I'm familiar with these operations. One of our principal markets is the geophysical market, and I assure you the situation there and in the drilling market is one of treading water and attempting to hold on. These companies would like to use new technology and stay up with foreign competition, but it's difficult to do that in a situation where you're fighting just to stay alive.

So, our business is concentrated right now with the major oil companies that operate these seismic vessels and drilling rigs. We are able to do a few high-tech, high-cost, remote exploration projects with them. That's is really about the limit of our offshore business which represents the major portion of our revenue at the present time.

We have evaluated the land portions of this market and have determined that it's even worse there from an exploration standpoint. A large number of tracts have already been explored, and there's just not much activity going on.

One question you might ask is: Why would we form a company like Talon Technology and fight so hard these past few years in order to survive? The answer is easy. We like the industry. We like the people. We think it's vital to our national interest to have a strong industry. And we're all working to diversify and enlarge our served markets.

Mr. Bigelow talked about entering the military business. We're trying to sell our equipment there to enable us to survive this rough time.

I think, beyond the small business angle, you should consider the negative effect of these moratoria on our country and our economic system. We cannot continue to depend on foreign oil. If we do, it will mean heading into another price shock era, which would be devastating to our monetary system.

We must slow down and stop these moratoria. We must open up exploration so we can locate these reserves and have them available when we need them.

In closing, I'd like to make one final comment. One of the most interesting statistics, to me, is that 75 percent of the petroleum that we will need by the year 2000 is yet to be found. This is 1985.

We've got 15 years to find 75 percent of the petroleum we're going to need by the year 2000. It takes 10 to 15 years to develop and produce offshore tracts. So, we can't afford to let these moratoria interfere with this process. We may not have this opportunity in the future.

Thank you. There are more comments on the subject in my prepared statement.

[Mr. Heitman's prepared statement follows:]

PREPARED STATEMENT OF LYNN B. HEITMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, TALON TECHNOLOGY CORP., RICHARDSON, TX

Mr. Chairman, my name is Lynn Heitman. I am president and chief executive officer of Talon Technology Corporation, a small business that designs and manufactures satellite data communications systems for the offshore petroleum industry.

Talon Technology was incorporated in 1982 and currently employs 15 people. Our headquarters are located in Richardson, Texas, a surburb of Dallas. Talon products are marketed and sold worldwide by a network of agents. Sales to the U.S. offshore oil and gas industry account for a majority of our revenues.

Mr. Chairman, I am sure that you are well aware of the important function served by small businesses such as Talon Technology in creating new jobs, improving the GNP, providing additional tax revenues and generally helping improve the socioeconomic health of our nation. In many ways, Talon Technology is typical of numerous other small businesses that are responsible for absorbing many of the people displaced by the current economic downturn in the oil industry. These companies are also responsible for developing many of the new high technology products that are essential to keeping our vital energy industry at the forefront and well ahead of foreign competition.

It is with great concern that I appear before you today to talk about the impact of the OCS moratoria on small businesses such as Talon Technology. The economic health of our company and many others is tied directly to the level of offshore petroleum exploration activity. Our high technology products are most often used in promising new exploration areas that are being eliminated from consideration by the OCS moratoria. These areas contain some of the nation's most promising tracts in terms of their potential to provide economically recoverable deposits of oil and natural gas.

Talon products are used by both the geophysical and drilling segments of the offshore industry. Both of these segments have been directly affected by the moratoria-based elimination of promising exploration tracts. We are in a situation where these contractors are attempting to "tread water" with their current equipment and only the major oil companies are still able to purchase a small amount of our higher technology equipment and services. No real improvement is forecast for this situation unless the price of oil continues to stabilize and reverse its downward spiral. If the moratoria are renewed or expanded, then the net effect will likely be further reductions in offshore programs by the major oil companies, an elimination of much of the remaining new business in high technology products and services, and the subsequent elimination of some of the small businesses that provide these items.

Many of the products supplied by our company and other small businesses are also applicable for use in exploration and production programs on land, but the business situation there is even worse than it is offshore due to the diminishing economic potential of the smaller reservoirs that are being found on land and the backlog of these types of tracts that were located as a result of the overall level of exploration activity during the past boom. In contrast to offshore exploration and development where the total time to begin full production often extends to more than a decade, shorter time frames are required to locate and develop petroleum products on land, and many land projects have been delayed or eliminated until oil prices start to improve.

Mr. Chairman, at this point you and your colleagues are probably wondering why small businesses such as Talon Technology continue to "pound their heads against the proverbial wall" and do not turn to more economically sound business opportunities. The answer to this question is that some of these businesses are developing industry diversity in their product offerings and some may exhibit enough initiative to survive a continuation of the moratoria. But the real tragedy associated with a continuation of the OCS moratoria will be the resulting negative impact on the economic health of our nation associated with continued dependence on foreign oil. Our nation and its monetary system are still struggling with the long term effects of the last oil price shock. With the current situation of all-time record trade deficits, the potential of another oil price shock caused by cutoffs of foreign oil could totally devastate our monetary system.

Mr. Chairman, I join my fellow witnesses today who oppose the renewal or expansion of offshore leasing moratoria as being at odds with the energy and economic goals that are vital to our nation.

The moratoria should be rejected. They conflict with the vital national goal of increased energy self-sufficiency and reduced reliance on insecure foreign oil sources. To renew or expand the moratoria will only compound past errors. The current oil supply "glut" will not last indefinitely, our reserves are declining and we must find three-quarters of the oil we will be using by the year 2000.

If the congressionally imposed moratoria were for one year only, and if the offshore areas under moratoria were low in oil and natural gas potential, the long-term impact on petroleum production might be minimal. However, the current moratoria are neither truly one-year actions nor are they all in low-potential areas. Not only are the moratoria usually extended from year to year, but they also include some of the nation's most promising offshore areas. The moratoria -- even if they are ultimately lifted, would:

- add to the length of time needed to find and produce crude oil and natural gas from those areas;
- increase the need for imported oil, add to our trade deficit and cost dollars and jobs at home; and
- raise our vulnerability to future cutoffs of imported oil.

The Department of the Interior (DOI) has estimated that in 1984 the moratoria cost the United States 328 million barrels of delayed petroleum (oil and gas) production and $44 million in lost interest payments on bonuses not paid the government because of the moratoria on leasing. The net loss to the nation's economy was estimated at $111 million for the one-year delay.

DOI further estimated that permanent bans on the same offshore areas (as have been suggested by some) would deprive Americans of 2.24 billion barrels of petroleum. This would cost our government $3.5 billion in lost revenue and the economy $8.8 billion... and more, if additional areas are included in the moratoria.

The impacts of the moratoria also include:

- o the economic and national security impact of greater dependence on foreign oil, resulting from lack of production from the moratoria areas;
- o the loss of jobs, goods, and services because of higher imports and a greater trade deficit; and less information on offshore resources because of the decreased exploratory drilling.

Demand for oil has been rising in the United States with the improving economy, and current projections call for a 4 percent annual increase in consumption. At that rate, the current world excess oil production capacity will be absorbed within the next 5 to 15 years, and the delicate balance between demand and production that characterized -- and contributed to -- our susceptibility to the Arab oil embargo in 1973 will have returned.

Moreover, even if our production remains constant, it is estimated that, 15 years from now, three-quarters of the domestic oil we will be consuming must come from oil fields we have not yet found. But, if that goal is to be reached, the opportunity to search for and produce that oil must exist, onshore and offshore.

Our offshore areas may contain as much as 53 billion barrels of liquid petroleum and up to 310 trillion cubic feet of natural gas. These resources -- if found and recovered -- could add significantly to our future energy supplies. But it takes up to two years to schedule a lease sale, several years more to explore an area and from 3 to 11 years to bring a field into full production (years longer in more hostile environments and deeper waters).

Therefore, our offshore leasing program should be kept on schedule and should offer as much acreage as can be reasonably explored by the petroleum industry. This is necessary to meet future energy needs and to allow orderly planning and implementation of exploration and production operations.

Mr. Chairman, moratoria, no matter how well intentioned, interfere with this orderly and essential process. Moratoria which are now in place should be removed. Others should not be enacted into law. To do otherwise would mortgage our energy future and threaten our economic and national security.

Some assert that the FY 1985 moratoria will have no immediate effect because no lease sales are scheduled for Georges Bank or the California offshore areas in FY 1985. But, such moratoria are harmful even when lease sales are not scheduled. They prevent the Interior Department from carrying out preleasing procedures required by law. The DOI must follow a complex procedure before any offshore lease offerings can be made. The steps include defining the areas of geologic potential, calling for expressions of interest from industry and other interested parties, preparing environmental impact statements and obtaining comments from state officials and the public. The moratoria prevent DOI from performing these required prelease steps, thereby delaying lease sales that might be held in 1986 or beyond.

The moratoria also surround the offshore leasing program with uncertainties that disrupt government planning and discourage companies from committing the necessary manpower, capital and equipment to needed offshore energy development. Thus, while no lease sales are scheduled for the moratoria areas in FY 1985, the moratoria will still have a significantly harmful effect.

Mr. Chairman, continued moratoria on OCS oil and gas leasing are neither necessary nor justifiable. The national interest requires that we get on with the job of locating and developing our offshore petroleum supplies so that they will be available when we need them.

I wish to express my sincere appreciation to you, Mr. Chairman, and to your fellow Subcommittee members for the opportunity to address you on the important issues surrounding the development of the Outer Continental Shelf and its impact on the small business community.

Mr. **Stenholm**. Thank you.

Mr. Andrews.

Mr. **Andrews**. I just wanted to ask you, Mr. Heitman, if you'd comment on an import tariff. What kind of consequences do you think that would have? Positive, negative, or what?

Mr. **Heitman**. Well, I'm very much against tariffs. I don't agree with some of the things that were said here. I think that we need a free trade situation.

But I'll tell you what's really wrong is what was discussed earlier by Mr. Bustamante. That is, when one country is restricting trade, like the Japanese are, and we're not doing anything about it. You know, we're not handling our politics correctly. We're not conducting our diplomacy correctly. There's where the problems are.

I don't believe we need tariffs on oil. We must compete in a free market. We don't need an industry with protectionism. Others have shown us the negative effects of this trend.

Mr. **Andrews**. Just to the whole panel: Do you really think an import tariff would encourage exploration?

Mr. **Ackerman**. Well, I'd like to make one comment. I agree wholeheartedly with Lynn and our president that we want to have less Government, and the first time you start making tariffs or, as in the farming industry, you get involved in the farming business, politicians are good politicians and farmers are good farmers and oil people look for oil. When you start intermixing all those, that's a real problem. I don't believe in it.

Mr. **Andrews**. You said earlier that you thought an import tariff would encourage exploration. Would you expand on that?

Mr. **Gipson**. Well, I think if we're importing, simply put, 30 percent of our crude from offshore, meaning other countries, and we're paying $25 a barrel for it and you put a $10 tariff, that would mean that we would—for 30 percent of our oil we'd be paying $40 a barrel. That would have a tendency to raise the domestic price of oil, which would encourage producers to go out and find more of it. The economic incentive would be you would tax imported oil, and that would force, I think, the price up of domestic oil.

Mr. **Stenholm**. Would the gentleman yield for a minute?

Mr. **Andrews**. Yes, I'll pass, Mr. Chairman.

Mr. **Stenholm**. I want to follow up on that. I know a little bit more about agriculture than I do your industry.

When other governments are involved in the subsidizing of shipping, there is nothing we can do. What we must address are the policies of the United States and the effects of these policies. The moratoria and their effects can be addressed by the Congress.

But when we have other governments creating an economic environment that makes it difficult for our domestic producers to compete, the question then comes back to Mr. Bustamante's original question: What should be the response of our Government to other governments? And if we eliminate tariffs, what other weapons or what other procedures might we look at to deal with foreign competition.

Now, when we're talking about moratoria, that's a domestic policy. That's one which we can address, assuming we can get the votes.

Mr. **Gipson**. Well, I think you're looking at a combination. I think if we're not looking at just a pure and simple problem here, I think we're looking at ways to inspire exploration companies to go out and find more oil and natural gas at a time when we're going offshore to bring in 30, 35 percent of what we're doing. And I think one way is moratorium, and I think—tariffs, I think, are certainly a very viable alternative.

This company, historically, has not had high tariffs on imports. Now, you go to Mexico, as an example, and a Chevrolet will cost you $30,000 or something because of the import duties that are imposed there. Japanese have very high tariffs on imported goods.

I agree with what these other panelists have said. I believe the less Government, the better. The Government is, by far, too involved in our daily lives as it is. But I think one of the things we need to look at, one of the roles the Government does have, and that's to protect this country's basic industries. And the oil business is certainly one.

Mr. **Ackerman**. You know, it's a problem when you start—maybe in other industries, it's not quite so bad. But in this industry, when you start talking about the oil tariff, there's a lot of U.S. companies that are in foreign countries developing that oil. And when you start putting tariffs on that oil, you're still causing a problem with the U.S. companies. So, it's not quite——

Mr. **Stenholm**. It's a simple question.

Mr. **Ackerman** [continuing]. As straightforward as you make it.

Mr. **Stenholm**. Mr. Fields.

Mr. **Fields**. Mr. Gipson, while ago you mentioned the slump, and really I'm going to take off on that word and ask a question to the panel.

Since you're small business people and you're having to deal with the industry in general, do you see the industry being at the bottom of that slump, or are we in a stagnation, or do you see light at the end of the tunnel, an uphill—or an upswing in the industry? What do you see at this point?

Mr. **Gipson**. I thought—If you'd asked me that 7 or 8 months ago, I would have said we were at the bottom of the slump and things were getting better. The last 3 or 4 months in my particular business, we've seen it get worse.

We've seen the rig count drop significantly since yearend, more so than many forecasts from seasonal drill off would have led us to believe. We're seeing the rig count in the Gulf of Mexico——

My perspective is not worldwide or even U.S. wide. My sole perspective is gulf coast. So, we've seen the rig count in the gulf coast go from 100 percent or thereabouts at yearend to about 76 percent presently. And that's having a severe impact on my business.

And we've had further curtailments in the first quarter of this year in terms of overhead reductions and layoffs.

It may get worse before it gets better is what I'm saying.

Mr. **Fields**. Do you all concur?

Mr. **Stenholm**. Will you yield?

Mr. **Fields**. Be glad to yield.

Mr. **Stenholm**. Is this the result of the strong dollar?

Mr. GIPSON. I think it's a result of several factors. I think part of it is moratorium. I think part of it is dollar. I think part of it is uncertainty on where the price of oil is going.

Throw another subject out into the air right now that's not part of this discussion, but I think some of these large oil company mergers is having an effect on it, too.

And, again, I'm not saying that we ought to go lock Mr. Pickens up and tell him he can't, you know, take over Unical.

But my friends that are producers tell me that the three or four major oil company mergers where the oil—let's use Texaco as an example. When they acquired Getty, their exploration budget was not going to get cut back, and you were going to have two horses better than one. Well, my friends in the industry say that's not necessarily true, that when you've got 10 billion dollars' worth of debt to pay off and you're paying 12, 13 percent for your money, you must get rid of that debt. And so, they're going as fast as they can to get rid of it, and they're cutting back. That's had an effect, a definite effect.

One of the panelists made mention of the fact that it's 10 or 15 years to get offshore production on stream. That's true. The majors have tremendous cash flows. They're the ones that are out offshore making these investments. They should be less concerned about short-term fluctuations in price, meaning over the next couple of years, because of the time period necessary. But it does have some effect.

Mr. FIELDS. Either one of you want to——

Mr. HEITMAN. You could characterize the situation as one of stagnation. There are some fleeting improvements. And then some negatives.

And it's really the uncertainty about the price of oil combined with the moratoria, and other factors. Moratoria is a negative factor in long-range planning.

Mr. ACKERMAN. And I'd just like to comment. Being an explorationist, we're trying to market seismic data to major oil companies and in their exploration department in general is one of not making a decision. And that's very critical to us. I mean, they can go quite a while without making a decision. My business is so small that I need a decision pretty fast.

So, the majors for sure don't seem to have any direction.

Mr. FIELDS. Well, I think it's fair to say from what you're saying that, you know, moratoriums are a factor and that it would be a detrimental factor if we're in this period of stagnation or, at least, you know, a period of being slow.

So, let me just go to one other question. Mr. Ackerman, in your testimony, you talked about the 8(g) and its effect. Exactly what is the effect of 8(g) on you specifically? And if either one of you gentlemen want to testify.

Mr. ACKERMAN. Well, it's very difficult to say——

Mr. FIELDS. Well, let me just say—let me preface by saying, I'm asking that question because we're holding hearings in New Orleans in the next 2 to 3 weeks on this particular issue, on the 8(g) controversy.

Mr. ACKERMAN. The effect that it has on me is an indirect effect because that area is the area where smaller oil companies are involved, and me as a geophysical consulting firm do most of my business with the small oil companies.

And the uncertainty—And I think this is one of the worst things that oil companies can do is being in an uncertainty position, and it causes them a lot of problems. And they, a lot of times possibly, use this as an excuse to not use my services.

Mr. **Fields**. Have you lost business because of the controversy?

Mr. **Ackerman**. Not the 8(g) controversy. Moratorium, I have. But not the 8(g). Doesn't help.

Mr. **Fields**. Mr. Gipson.

Mr. **Gipson**. Not to my knowledge.

Mr. **Fields**. Mr. Heitman.

Mr. **Heitman**. No; it really hasn't been a factor with us. We're more in the deep water, high exploration areas.

Mr. **Fields**. Thank you, Mr. Chairman.

Mr. **Stenholm**. Mr. Bustamante.

Mr. **Bustamante**. Mr. Chairman, I don't have a question. I just wanted to clarify a statement in reference to the question that I asked regarding the trade deficit, especially with Japan. Not solely Japan, but with some other European countries, as well.

I, too, am for free trade. I don't want protectionism. However, when we're dealing with some of these countries, it's like the Oilers playing the Cowboys and giving the Cowboys three touchdowns. This is the type of game that we're playing. They have the advantage against us. The Japanese send a car over to the United States. Each one of them already subsidized that car by $800, to entice them to export, and that is not fair.

So, my question at the time was: What do you do then? What do you do with a country like that? And then you want to send some cattle to Japan. It's $18 a pound for meat, or whatever it might be. They have a high, high tariff. What do you do with a country like that? You want free trade with them?

Mr. **Heitman**. Yes.

Mr. **Bustamante**. Well, it's only going to be one way.

Mr. **Heitman**. I don't think so.

Mr. **Bustamante**. OK.

Mr. **Heitman**. My opinion is that we need to negotiate. We need to be more careful about the way we deal with these countries. They're very shrewd and very well planned.

Mr. **Bustamante**. They're tough.

Mr. **Heitman**. Very tough. But we could be tough. Couldn't we be tough?

Mr. **Bustamante**. Yes; but do you want us to cut the number of cars and Sony televisions coming into this country?

Mr. **Heitman**. I think we have a lot more clout than we use. I think we're like a giant tiptoeing through the woods.

Mr. **Bustamante**. But we also have a lot of pressure. We have many dealerships in both the electronics and automobile industries. They don't want us to cut them off. So we've got to exercise our options.

But Congress, the Senate and the House, reacted to the latest decision by the Japanese move to increase imports. I'm sure you're aware of the resolutions that were passed——

Mr. **Heitman**. Yes.

Mr. Bustamante. By both Houses. And I guess that's the only thing that brought them to the table. What they're going to do, we don't know.

Mr. Heitman. I think we do entirely too much threatening to do things and discussing things, rather than actually deciding what to do and taking action. I think that's the basic problem we have. If you look at what the Japanese do, they don't do that. They make their game plan and stick with it.

Mr. Bustamante. Thank you, Mr. Chairman.

Mr. Stenholm. Mr. DeLay.

Mr. DeLay. Thank you, Mr. Chairman.

Mr. Heitman, I wish you'd run for Congress.

Mr. Heitman. I don't know much about the job!

Mr. Bustamante. It's too expensive.

Mr. DeLay. We need some guys like you in Congress, I tell you. I'm sorry, Mr. Chairman, but when you start talking about tariffs and trade I've got to explore it a little bit.

Mr. Gipson, are you familiar with the protectionist policies of the past and how they have affected other industries? Let's take, for example, the steel and auto industries where protectionism has made them fat and happy and have not put capital in new innovations and not put capital back into new tooling. Where you can point the finger at protectionism and say that's part of it? That they've allowed labor to expand way beyond their market value because you can always pass it on and the Government will take care of it. Don't you think that would have the same effect on the oil industry to the extent that oil wouldn't buy Mr. Heitman's technology because they wouldn't have to? Any time they get into a slump, they just run up to Washington, and they raise the tariff.

Mr. Gipson. I think there's a tendency right now to go out in the world marketplace and buy the cheapest product you can get, which probably doesn't reflect real market value. You're looking at Libya. You're looking at Nigeria. You're looking at the Latin American countries that have tremendous financial obligations and tremendous financial problems. And they're unloading their product at whatever they can get for it. We do not have enough product in this country to go around. I think that we need some incentives.

What's happening right now is that the refinery is going out—the petrochemical plant is going out, to make his throughput requirements, and buying his product in the cheapest place he can.

I think tariffs and—I don't think anybody that— I don't think anybody could support getting fat, dumb, and happy like the steel companies. I certainly don't support that.

I do think, though, that there is an unrealistic price level on oil right now. And I think that, as a result of that, we're not seeing increased exploration in——

Mr. DeLay. But those incentives could be brought by what we're talking about today by removing the Federal Government restrictions from being able to explore.

Mr. Gipson. I think that's——

Mr. DeLay. Rather than taking the easy way out and erecting tariffs.

Mr. Gipson. I think that's a big one. But I also think the Federal Government—I don't buy that a $10 tariff on oil, let's say, would make us get fat, dumb, and happy. We don't have enough to go around right now. We need to increase our reserves at home.

Mr. DELAY. Let's take your example of raising $10 on a barrel of oil.

Mr. GIPSON. Yes.

Mr. DELAY. That would raise the cost of oil, artificially in my mind, here domestically to, say, $35 a barrel, which would be an incentive to go out and explore more oil creating a higher supply. But at the same time, increasing the cost to the consumer for that product; is that not right?

Mr. GIPSON. I think there would be some increase in price, yeah. I think that's——

Mr. DELAY. So, the reverse of that would be: If you leave it like it is, we're getting foreign aid from the subsidized oil coming over here. Isn't it time the United States got foreign aid?

Mr. GIPSON. Well, here's what I think is going to happen. If you want to carry that scenario into the 1990's, I think that we're looking at the era of oil embargo all over again, only worse. And I think you can leave things the way they are and let the moratorium stay on and you leave these underdeveloped countries with tremendous financial problems glutting the market artificially making us all feel like we're fat, dumb, and happy because we've got this tremendous supply, and come the turn of this decade into the nineties, I think we're looking at some terrible problems with some long-lead times, high prices.

Yeah, it would affect prices now. If you don't do anything, we're looking at prices that make $35 a barrel look cheap 5, 6, 7 years from now.

Mr. DELAY. It seems to me that when the times get tough, the tough don't get going. They go straight to Washington for a bail out.

I'm sorry, Mr. Chairman. I've just got a couple of questions. I'd like to get back on the subject of your subcommittee.

Mr. Ackerman, can you explain how areawide leasing changes the economics of offshore leases for your company?

Mr. ACKERMAN. Well, I think so. I mentioned I was employed by a medium-sized independent, and one of the things that we had was the foresight to understand what the areawide leasing sale was about.

So, prior to the time that the 5-year plan was even signed, we were out in that area shooting a seismic program on a regional basis. Having worked in international operations for a major oil company, I knew how to explore for oil on a regional basis and what you would have to do in order to have a better picture of your geologic situation.

In the past, they were using small areas that they were talking about and didn't have a regional picture. That program was shot and is making that company a considerable amount of money now.

My company has been hired by geophysical companies doing the same thing. And so, I can tell you directly that's been the effect. I would never have been able to do that if it wouldn't have been a vital thing.

Mr. DELAY. Thank you.

Mr. Gipson, one last question.

Encountering the argument that areawide leasing doesn't bring fair market value, would you say that the fair market value must be based on the best estimate of future value of the oil that could be produced?

Mr. GIPSON. I think that's such an unknown. You know, you're talking about reservoir engineering and a little bit of voodoo in that. And I think that, as evidenced by what's happened offshore up in the northeast, there's been a tremendous amount of seismic activity up there, a tremendous amount of bonus money paid, and very little success—no success, no commercial success.

I think the present system of sealed bids, you've got 35 major oil companies competing for what they think a tract is worth, and sometimes they're right and sometimes they're wrong.

Mr. DELAY. But should that be the basis for establishing the fair market value, rather than some arbitrary Government-established price?

Mr. GIPSON. I agree. Yes, sir.

Mr. DELAY. In leasing today, the bonus that you bid has to take into account the possibility that the price of oil will not go up as much as you would like during the years it takes to bring a well into production; isn't that right?

Mr. GIPSON. Yes, sir. It could go the other way as it has the past several years.

Mr. DELAY. Thank you, Mr. Chairman.

Mr. STENHOLM. One followup question on that. How serious do you perceive the threat to areawide lease consideration to be? How serious do you perceive the threat of losing areawide leasing, as compared to continued moratoria?

Mr. HEITMAN. Well, I think that if the moratoria pick up steam and continue to be enacted that we're going to see that as the next action. Areawide leasing is the next thing on the chopping block.

Mr. STENHOLM. Thank you very much. We appreciate your testimony. It's been very helpful.

The next panel will consist of Mr. Nicklos, Mr. Crain, Mr. Chiles, and Mr. Truelove.

Since you have a schedule problem, Mr. Truelove, we'll call on you first. If you have to leave after that, you will be excused.

Mr. Truelove.

TESTIMONY OF HERSHEL G. TRUELOVE, PRESIDENT, JOHN E. CHANCE & ASSOCIATES, INC., AND SURVEY BOATS, INC., LAFAYETTE, LA

Mr. TRUELOVE. Thank you, Mr. Chairman, other distinguished Members of Congress.

My name is Hershel Truelove. I'm fortunate enough to be president of John E. Chance & Associates and Survey Boats, Inc., directly involved in the offshore oil industry.

John E. Chance & Associates provides surveying and precise positioning services for the oil industry and Survey Boats provides the vessels for the performance of these surveys.

I'm sure it isn't necessary to remind everyone here of the problems that we faced in the early seventies during the oil embargo in our country, and I would like to say that our conditions are very similar in this country today.

In the seventies, we were importing 50 percent of our oil. Today, we've cut it down to approximately one-third but this cutdown has been done by a massive conservation effort, probably unequaled since World War II. Also, we have had increased domestic drilling, which has helped considerably but we're still vulnerable.

And this is the situation, I believe, that the 5-year lease plan and areawide leasing, addresses. It's the greatest thing to happen to the oil industry since my association with it, and I've been involved in the offshore almost since its inception.

John E. Chance & Associates had its beginning in 1957; Survey Boats, Inc., in 1964.

I may be a minority here today, but fortunately, we've been a profitable organization during all of those years.

Since our inception, we've had a steady, though sometimes erratic, growth in our business. I think the erraticism has been caused by governmental interference in the form of price controls, which we had in the past; threat of taxes, both real and threatened; and an insufficient, systematic leasing plan. The 5-year lease plan has taken care of the latter of these.

I think the more serious problem facing us today is the taxation angle and I sympathize with the producers in this sense. You know, it's like you're playing by a different set of rules every year. Every time Congress goes to bat, they take another look. And it's like starting over every time. So, it's difficult to make plans on that basis.

My two companies employ slightly in excess of 400 people with an annual payroll of around $12 million. This payroll is spread over the employees who live in the States of Texas, Louisiana, Mississippi, and Florida.

In my printed text, you'll see a list of purchases that we make for goods and services. These purchases are spread over some 30 States. These are direct purchases from companies within those States and do not include products that are manufactured in another State and purchased in either Louisiana or Texas.

So, you can see that economic benefits from a small business organization is spread over a wide area. We have offices in Lafayette, LA; Patterson, LA; and an office in Houston.

As I mentioned earlier, our company has remained profitable. I'm not going to brag about the percentages. Staying in the black is good now, regardless of how far you are in. Many of our friends and fellow companies in the oil field service industry have been less fortunate. I'm sure that you know of many that have gone under in the past 2 years. If indicators are correct, many more will bite the dust before the dust settles.

This isn't good for the oil industry. A viable oil industry needs a lot of expertise, especially in the field of offshore. This is something that can't be turned off and on at will. There're long lead times. A lot of these people who leave the oil industry because of a slowdown go into another field. They won't be coming back, and there's no one to replace them.

We need a steady type of industry. We don't need the boom times of 1981 but we need consistency in what we're doing.

I think the 5-year lease plan, coupled with a fair and consistent tax policy, can provide this to the industry, not only to the producers but to the small businesses that rely completely on the producers for their survival.

At one time the United States produced 21 percent of the offshore oil. Now we're down to less than 9 percent of the world's offshore oil.

In the last 10 years, while our production was decreasing some 29 percent, other areas of the world were almost doubling their reserves in the offshore areas. The Bay of Campeche, which has had a short duration, has already exceeded, in both production and reserves, all of the northern Gulf of Mexico put together.

So, this tells us something, that we haven't had an orderly and conducive atmosphere in which to encourage the offshore oil industry. And as I say, I think the 5-year lease plan addresses this. If this is taken away, I believe it would be disastrous.

Moratoria is another problem facing us, not in the Gulf of Mexico but in other areas that cause a spillover in the Gulf of Mexico, as many of the panelists have mentioned before.

I can say this to you gentlemen from Congress here today because, as I look at you, I doubt if any of you were in Congress at the time. Some 20 years ago, there were some strong voices in our Nation's capitol that advocated that we eliminate the development of the Outer Continental Shelf and avail ourselves of that cheap and abundant supply of Middle East oil.

As I say, you weren't there at the time but some of those people that advocated that 20 years ago are still there. And today, they're saying we've got an oil glut. Let's have a moratoria. Let's increase taxes. And we don't need this offshore oil because there's an abundant supply.

Gentlemen, in closing, I'd like to say that I don't believe history will allow us to listen to those same voices twice.

Thank you very much.

[Mr. Truelove's prepared statement with attachment follows:]

PREPARED STATEMENT OF HERSHEL G. TRUELOVE, PRESIDENT, JOHN E. CHANCE & ASSOCIATES, INC., AND SURVEY BOATS, INC.

Mr. Chairman, my name is Hershel G. Truelove, and I serve as President of John E. Chance & Associates, Inc. and Survey Boats, Inc.

Mr. Chairman, despite the current temporary oversupply of oil and gas, the future energy outlook of the United States basically remains unchanged from that of the 1970s, a period characterized by energy shortages which idled factories, closed schools, and left thousands of Americans sitting in gasoline lines. As was the case in the 1970s, the United States is still struggling to replace domestic reserves, to maintain current production levels, and to encourage conservation in an effort to reduce our dependence upon imports. Now, as then, an affordable and certain supply of energy is an inseparable key to economic growth, the harmonious development of national goals, and the maintenance of our national security.

Currently, about one-third of the oil consumed in this country is imported from foreign sources. As recently as 1980, that figure was 40 percent. In the late 1970s, we were nearly 50 percent dependent on imports. Progress has been made in reducing dependence on imports through increased domestic drilling and conservation, but, despite this progress, we remain vulnerable to Middle East supply disruptions. In order for this nation to continue checking and possibly reducing further its reliance upon insecure sources of foreign oil, it is imperative we go forward as rapidly as possible with the inventorying and development of our domestic resources.

Most credible studies currently available project that energy consumption in the United States will grow by one percent per year or slightly less between now and the year 2000, a projection significantly below historical levels.

Meanwhile, on the supply side, the message is very explicit. Imports will continue to be a major contributor to U.S. supply, with the actual extent of our dependency directly related to the level of domestic production. Forecasts conclude that it will be difficult to maintain the current level of oil and gas production through the year 2000 and that the growth of imports can only be curbed if significant production from presently undiscovered reserves is brought onstream.

In the year 2000, according to Shell Oil Company's projections, 45 percent of our domestic oil supply and 58 percent of our domestic gas supply is expected to come from new discoveries. Atlantic Richfield Company estimates of future U.S. oil supply are similar, projecting that new discoveries will account for 46 percent of domestic supply in the year 2000.

The maintenance of current production levels for the remainder of this century in the United States provides a real challenge for industry and government alike. Industry must remain totally committed to the replacement of domestic reserves, and government must make the necessary public policy decisions now to encourage new discoveries.

During 1983, wells on federal offshore leases accounted for roughly 11 percent of the oil and 25 percent of the natural gas produced in the United States, according to the Minerals

Management Service of the U.S. Department of the Interior. The United States is one of the few areas of the world in which offshore oil production has declined since the early 1970s. Total offshore oil output from federal and state waters reached a peak of nearly 615 million barrels in 1971, dropped gradually to a little more than 377 million barrels by 1981, and since then has partially recovered to 436.5 million barrels in 1983. The net decline from 1971 to 1983 was 29 percent, reflecting the depletion of older offshore reservoirs and the lack of opportunity to explore some of the more promising areas in federal waters.

While U.S. offshore oil production was dropping, many other nations moved ahead rapidly to develop their offshore energy potential. Excluding the United States, the rest of the world nearly doubled its offshore oil output in the same years, going from less than 2.4 billion barrels in 1971 to more than 4.5 billion barrels in 1983. Even more spectacular percentage gains were evident in areas like the North Sea and the waters off Mexico and Southeast Asia. In the early 1970s, the United States produced about 21 percent of the world's offshore oil; in 1983, the figure was less than 9 percent.

The decline experienced in the United States resulted not from a lack of resources, but rather from a lack of will to develop those resources. The five-year offshore leasing plan restores that will. Industry and government estimates of future domestic oil and gas discoveries to be made offshore range from 59 percent of oil and 36 percent of gas to as high as 60 percent of the total oil and gas. Clearly, the offshore offers the greatest potential for increasing domestic energy supplies, supplies which are critically needed for our strategic and economic security. Thus, it is no exaggeration to characterize the five-year plan as one of the most critical and pivotal policy decisions affecting America's future energy supply ever made.

Oil imports are expected to continue to be a major source of this country's energy supply, with levels of dependency directly related to levels of domestic production. But imported oil has a high price tag, both in terms of dollars and in terms of national security. Americans paid more than $500 billion for imported oil during the past ten years and imported oil is the major factor in this country's record foreign trade deficits.

By moving ahead in an orderly manner to explore this country's offshore areas for oil and natural gas, we Americans can reduce our international trade deficit, strengthen our domestic economy, provide employment, assure safe and dependable supplies of energy for this country's homes, farms, factories and transportation systems and build our defenses against political, economic or military pressures from other parts of the world.

Now I would like to bring the matter closer to home. I represent two companies, John E. Chance & Associates, Inc. and Survey Boats, Inc. John E. Chance & Associates, Inc. provides complete surveying services to the oil industry while Survey Boats, Inc. provides the boats used in these surveying services.

At the present time the two combined companies provide employment for over 400 people with an annual payroll of approximately $12,000,000. This payroll is distributed to various communities across Louisiana, Texas, Mississippi and Florida. The spreading of economic benefits is even more pronounced if you analyze our purchases of goods and services. As can be seen on the attached List of Purchases, many companies in various states share in the benefits of our operations.

Since its inception in 1957, John E. Chance & Associates, Inc. has enjoyed a continuous, though sometimes erratic, growth. Survey Boats, Inc.'s growth has naturally followed the same general trends since its beginning in 1964. More often than not this erraticism has been caused by governmental interference in the form of price controls, taxes (both real and threatened) and lack of a systematic leasing plan.

The five-year leasing plan and the area wide lease sales contained therein have brought a semblance of order to our operations. Without area wide leasing in the Gulf of Mexico, 1984 could have been a disaster for our companies. As it turned out, it was the type of year we could live with especially if we had the assurance that similar conditions would continue for the foreseeable future.

Other segments of the oil service industry have been less fortunate than we have. Many companies have fallen by the wayside and indicators point to the fact that the fallout isn't over. This does not bode well for the oil industry. The expertise necessary to support a viable oil industry cannot be turned off and on in short order.

The five-year leasing plan, coupled with a fair and consistent tax policy, can restore normalcy to the offshore oil industry. The response of the industry to area wide lease sales in the Gulf of Mexico has proven its resolve to increase our domestic reserves and lessen our dependence on foreign oil. Government's resolve should be equally strong. Some twenty years ago, many in our government advocated reliance on a cheap and abundant supply of Middle East oil to the detriment of our development of the OCS. A number of these individuals are still in power today and, because of a temporary "oil glut," they once again seek to choke off the attempts at energy independence by moratoria, increased taxes and elimination of orderly leasing plans. History has taught us that we can't afford to listen to these voices again.

LIST OF PURCHASES - 1984

STATE	EXPENDITURES
Alabama	$ 37,772
Arizona	1,843
California	241,881
Colorado	82,828
Connecticut	51,617
Delaware	1,300
District of Columbia	4,198
Florida	156,790
Georgia	64,794
Illinois	66,750
Iowa	6,947
Kansas	294
Maine	44,481
Louisiana	10,672,059
Maryland	12,437
Massachusetts	119,275
Minnesota	6,767
Mississippi	103,509
Missouri	18,172
Nebraska	90
New Hampshire	4,367
New Jersey	19,252
New York	45,003
North Carolina	2,123
Ohio	4,416
Oklahoma	94,929
Pennsylvania	3,419
Rhode Island	3,891
Tennessee	157,350
Texas	2,930,502
Virginia	80,879
Washington	237,353
West Virginia	29,656

Mr. STENHOLM. Thank you, Mr. Truelove. I would say I heard that same request yesterday at South Gate, CA, in just about the reverse tone of what you just expressed today.

[Laughter.]

Mr. STENHOLM. I heard that same urging of this subcommittee. Mr. Nicklos.

TESTIMONY OF JAMES M. NICKLOS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NICKLOS OIL & GAS CO., HOUSTON, TX

Mr. NICKLOS. Mr. Chairman, my name is James M. Nicklos. I serve as president and chief executive officer of Nicklos Oil & Gas Co. here in Houston. We also go by Nicklos Drilling Co. We're involved in the offshore drilling business, land drilling business, and exploration and production—onshore exploration and production. We've been in business for about 50 years. Been in the offshore sector for about 30 years of that.

We operate a total of 15 rigs. We've got two self-contained platform rigs. We've got 2 submersible barge rigs, coastal barge rigs, and we've got 11 land rigs. But a lot of our income comes from offshore. That's why I'm here today. In light of the present depressed industry conditions, as well as our company's economic condition, we're extremely concerned about the future of offshore drilling since this is a vital part of our business.

We've had to shut down the exploration side of our business in the last few months because things are so bad. But as a result of the inactivity, we've had to write off an additional platform rig which made a big impact on our financial statements. This was an older rig that had a reputation of outperforming many newer rigs. Worked for mainly major oil companies.

I've been involved in the International Association of Drilling Contractors for about 10 years. Right now, I serve as the secretary-treasurer. And I've witnessed a lot of companies with offshore operations that are being forced out of business, due to lack of work that is available. With this reduced number of bids, companies are forced to lower their day rates, as we talked about before. With less rigs running, all the service companies are hurting. It's not just the drilling companies—the oil companies and the drilling and service companies, as you've heard today. It's all the companies that follow down the line. And the sad part about it is, after you go through the oil business, it filters down to the real estate business here in Houston and some of the other businesses that are also affected by what's happened to us. And, I mean, as you know, it just follows down the road. And there's many people out of work right now. We've had to lay off. In our Houston office, we had 60 people. We're down to about 20 now. And that's typical for the industry and typical, probably, for the Houston industry in many areas.

The banks have really been hurt in the Houston area and also the banks that I've been involved in in the industry.

What I wonder about, though, are the banks—I think the banks might laugh at us in 2 or 3 years, if we're still around, if we want to borrow some more money to buy more equipment. And I think that may cause a problem in the future.

But I'm real concerned about the security and safety of the United States. With the supply of oil and natural gas in our country depleting daily, we're depending more and more on the imports. And as we've discussed today already.

But I think the supplies could be cut off and we could be in a lot worse situation than we were back in the seventies during the embargo.

I think we need to be preparing ourselves for the future. As we know, supplies of oil and gas cannot be found overnight. It takes a while to go through all the steps that we have to go through to find it.

Some opponents of offshore oil and natural gas development base their position on the danger of oilspills resulting from offshore operations. But looking back over 30 years, we've been in pretty good shape as far as oilspills.

The National Academy of Science has recently estimated that U.S. offshore oil and natural gas operations are responsible for only five one-hundredths of 1 percent of the oil that gets in the world's oceans, most of it comes down the rivers.

There have really been no major blowouts—we talked about California—since that incident back 15 years ago in Santa Barbara.

Someone already mentioned about the Bay of Campeche. Back in 1979, the spill that occurred there. We thought that was going to affect the Texas beaches more than it did.

But the thing about Mexico is that they don't use the same safety standards that we go by here in the United States. We spend a lot of money on training our personnel and buying equipment to help prevent oilspills. And it seems like over the past years, it has paid off immensely.

Our company—like I said before, we've been involved in the offshore area for about 30 years. We maintain well-qualified, experienced, and trained personnel on our rigs. It costs money to do this, but we feel like it's worth the money to spend the money on this to keep a well-qualified organization going with a good reputation. And it's worth money on the equipment to spend it, development before it's too late.

Thank you.

[Mr. Nicklos' prepared statement follows:]

PREPARED STATEMENT OF JAMES M. NICKLOS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NICKLOS OIL & GAS CO.

Mr. Chairman, my name is James M. Nicklos and I serve as President and Chief Executive Officer of Nicklos Oil & Gas Company in Houston, Texas. We are involved primarily in contract drilling with 15 medium depth to deep rigs in the Texas and Louisiana Gulf Coast area and offshore these states. We are also involved in exploration and production in the same area. Our offshore operations include two self-contained platform rigs and two submersible posted barge rigs. In light of the present depressed industry conditions as well as our company's economic condition, we are extremely concerned about future offshore development. This is a vital part of our business.

We, as well as numerous other small businesses, have invested huge amounts of capital into equipment to develop offshore areas and many of us have debts to repay to banks and other lending institutions which cannot be repaid if our equipment does not operate. As a result of inactivity, many of the smaller companies will be able to buy the equipment at extremely reduced prices and competition will be reduced.

My company wrote off an offshore platform rig last year due to lack of work. It had been stacked on land for well over a year. When offshore rigs are stacked they deteriorate. It would also have taken capital to refurbish the rig but without work we retired the rig. We have only gotten a handful of bids in the last six months due to lack of offshore development. The sad part about it is that on the last job that the rig had, which was for one of the major oil companies, it was said that it outperformed many of the newer, more modern rigs.

Being involved in the International Association of Drilling Contractors over the past 10 years and presently serving as secretary/treasurer, I am witnessing many companies with offshore operations being forced out of business due to the lack of work that is available to bid on. With the reduced number of bids, companies are forced to lower their dayrates to compete. With less rigs running, all of the service companies are hurting. We, as well as other service companies, have terminated numerous employees to reduce expenses. This, in turn, has had a tremendous effect on the general economy causing many people outside of our industry to lose their jobs. Here in Houston the real estate business is suffering, to a large extent, because of the present state of the oil and gas industry. And the list goes on. Banks have been severely affected by the lack of offshore development. We read of huge losses and write-offs of loans on offshore equipment. In the future, banks will laugh at us when we ask for money to invest in new equipment.

In addition, the security and safety of the United States are at stake. The supply of oil and natural gas in our country is depleting daily. We are importing more and more oil from unstable foreign countries. These supplies could be cut off at any time, leaving the United States in an extremely disadvantaged and endangered position. Conditions could be much worse than the embargo of the 70's.

We need to be preparing ourselves for the future. Supplies of oil and gas cannot be found overnight. We need to replenish our supplies now before it is too late. And we need an increased amount of offshore development to accomplish this goal.

Mr. Chairman, some opponents of offshore oil and natural gas development base their position on the alleged danger of oil spills resulting from offshore operations. I would like to explain why fears of oil spills are groundless and point out that those who cite these fears are ignoring the 30-year record of safe offshore operations by the nation's offshore production companies.

Mr. Chairman, no one wants an oil spill -- especially a company that may have invested hundreds of millions of dollars to find and produce that oil.

Studies by scientific organizations and federal agencies show a sharp decrease in the number of oil spills and the amounts of oil spilled in connection with offshore drilling and production in recent years.

The National Academy of Sciences recently estimated that U.S. offshore oil and natural gas operations are responsible for only five one-hundredths of one percent of the oil that gets into the world's ocesns. That study said that rivers are the principal source of oil pollution in the seas, accounting for 41 percent of the total. Tankers and other forms of transportation account for 20 percent. Natural oil seeps -- such as those off the coast of California -- account for 15 percent of the worldwide total, and municipal and industrial sources account for 11 percent.

The Interior Department's Minerals Management Service recently reported that in the 12 years 1971-1982, there was not a single blowout resulting in the spillage of more than a barrel of oil in any of the exploratory and development drilling or well-completion activities in U.S. waters.

The same agency listed a total of 21 non-drilling blowouts during the same 12-year period. Six of those accidents occurred during production and 15 during well workovers. Nearly all of them were immediately brought under control without releasing any oil into the marine environment. In eight of the 12 years, no blowouts occurred.

There have been no blowouts or major oil spills related to drilling and production off the California coast since the Santa Barbara accident 15 years ago.

The Minerals Management Service maintains a list of offshore accidents involving spillage of 50 barrels or more in U.S. waters. From 1971 through 1982 there were 55 such incidents, all of them in the Gulf of Mexico and none of them involving well blowouts.

The total amount of oil spilled in the 55 incidents was about 68,000 barrels. Although such spills are regrettable, they should be kept in perspective. In the same 12-year period, 12,000 wells were drilled in federal offshore waters and 4 billion barrels of oil were produced from those areas. Thus, the spilled oil amounted to less than two one-thousandths of one percent of the oil produced from federal offshore leases.

Although marine operations have been undertaken over a longer period of time in the California offshore area, operations in the Gulf of Mexico have involved more exploration and greater oil and natural gas production. Spills from offshore platforms have been rare and when they have occurred, experience demonstrates that environmental damage from even very large oil spills is reversible over time.

For example, surveys of marine fauna following a February 10, 1970, Main Pass blowout in the Gulf of Mexico -- 75 miles southeast of New Orleans -- did not show detrimental effects on the populations or diversity of marine species. More specifically, during a three-week period an estimated 65,000 barrels of crude oil were discharged from the platform. It is estimated that between 25 and 30 percent of the oil evaporated during the first 24 hours, 10 to 20 percent was recovered from the water surface, less than 1 percent dissolved, and less than 1 percent of the oil was identified in sediments within a five-mile radius of the platform. The remaining oil emulsified and dispersed to undetectable levels, biodegraded or photo-oxidized.

In this case, spilled oil that was identified in bottom sediments showed rapid weathering after one week to one month and at the end of one year was reduced to a few percent of the amount present immediately after the spill. There was no correlation between the number of species, the number of individuals, or other biological parameters with the amounts of hydrocarbons in the sediments within a 10-mile radius of the platform. This lack of correlation suggests lack of significant effect of oil on bottom-dwelling organisms.

There have been no other large-scale blowouts in U.S. waters since 1970. On June 3, 1979, a spill occurred from the Ixtoc I blowout in Mexican waters in the Bay of Campeche. Some oil from this spill came ashore on Texas beaches, but not in the catastrophic quantities that had been predicted in some quarters. Significantly, the Ixtoc well did not use the same safety standards already followed in U.S. offshore operations.

Great improvements in marine exploration and production technology are largely responsible for the decrease in oil spills in recent years. Both industry and governmental specifications have undergone significant upgrading to decrease the potential for oil spills. Safety equipment, monitoring techniques and personnel training in spill prevention and clean-up have advanced. And the capability of the industry to minimize environmental damage has been substantially enhanced.

Offshore operations in state and federal waters are monitored continually by a number of government agencies. The U.S. Coast Guard, the Environmental Protection Agency, the Interior Department and adjacent coastal states have the authority to protect the environment by exercising federal and state regulatory powers over offshore activities.

My company has been involved in the drilling business for fifty years and in the offshore drilling business for 30 years. We regard safety as top priority. We maintain well-qualified, experienced and trained personnel on our rigs. We are prepared personnel-wise and equipment-wise to handle unexpected occurances. These training programs are an ongoing part of our business, which adds additional costs to our operations.

Mr. Chairman, the 30-year history of offshore petroleum development proves that we can find and develop the oil and gas resources off our coasts without harm to the coastal or marine environments. The record of the past 30 years is neither theory nor rhetoric -- it is reality. And the reality of our future energy needs dictates that we move ahead today with offshore oil and gas development before it is too late.

Mr. STENHOLM. Thank you.
Mr. Crain.

TESTIMONY OF NEIL R. CRAIN, VICE PRESIDENT AND GENERAL MANAGER, CRAIN BROS., INC., GRAND CHENIER, LA

Mr. CRAIN. Mr. Chairman, Honorable Members of Congress, my name is Neil Crain. I'm the vice president and general manager of Crain Bros., Inc., out of Grand Chenier, LA.

The offshore portion of our business is supplying labor crews and various services, as far as construction is concerned, laying pipeline in shallow water and a loading and unloading facility at our Grand Chenier terminal.

At the Grand Chenier terminal, we had employed, 3 years ago, approximately 50 people. Today, we have eight people doing the same operation. And, of course, we've heard the statistics about how many people a job affects so far as secondary or ripple effect is concerned. So, that could be multiplied by the 3.8 or 4 or whatever.

We can readily see what an impact the reduction in offshore trade has on that number of jobs.

What my contention is, as far as moratoria is concerned, we're causing the Gulf of Mexico, which has no moratoria problems at the time, to become a gigantic parking lot for all this construction equipment: Drilling rigs, boats, and other support activities that become concentrated on this parking lot on the gulf coast creating severe and unusual complications which are driving other people out of business that are not strong enough to remain.

It's causing the price to go down, thus cutting the availability of jobs and services because you have to cut someplace else when you cut price.

It's reducing the integrity of people who remain in business in the price-cutting situation. They're not paying bills that they owe because there's simply not enough money to do it.

If moratoria was lifted or acreage was released in other places, other oceans, Pacific coast or the Atlantic coast, it would create a reduction of pressure on the gulf coast.

Of course, our scope of operations is the gulf coast, and we have a fairly narrow view of that. We don't operate on the Pacific or the Atlantic. We'd like other people to remove their stuff from the gulf coast and go to the Atlantic or Pacific.

But what's happening to us is this is causing an artificial market for the jobs at such a reduced price that it's not a healthy situation for anyone who remains there.

The uncertainty and the long laborious dissertations that we hear about imposing moratoriums on offshore drilling and exploration are causing people to have thoughts about withholding tracts off the market in other areas. The Northeast, for example. People are just diametrically opposed to drilling on that coast and creating their own oil supply there. But their reasons are not sufficient, in my opinion, to warrant the moratorium or reduction of drilling activity and exploration off of that coast or other coasts of this Nation.

These uncertainties are causing exploration companies to have second looks at the amount of capital investment that they put into their operations. And this, of course, is reducing things on down the line.

I don't propose that we impose any kind of an import tax on oil products, but unfair competition from abroad is causing extreme pressures on our refining industry, which is going to eventually close. Along both sides of the Mississippi, there are those refineries that rely on domestically produced crudes, be it natural gas or oil, to put their refined product on the market. And we're having intrusions of byproducts, such as ammonia, coming into this country that's a product of natural gas at a very low price from other nations. And it's causing the requirements for our natural gas to be reduced, causing the price to go down and that sort of thing.

What I do say is we retain this right of import dues and taxations to use as a stick, but to use them as a stick on countries who don't allow us to export like amounts to them. And I guess it's about as close as you can come to having this import duty used both ways. Say, if you don't we're going to.

And that's about the summation of my comments. And I have a full thing submitted for the record.

[Mr. Crain's prepared statement follows:]

PREPARED STATEMENT OF NEIL CRAIN, VICE PRESIDENT AND GENERAL MANAGER, CRAIN BROTHERS, INC.

My name is Neil Crain. I am vice president and general manager of Crain Brothers Inc. which operates out of Grand Chenier, Louisiana.

We are engaged in general oil field construction and service offshore Gulf of Mexico operations from our dock and loading facility.

Since our operations are confined to the Gulf of Mexico, and we currently have NO restrictions on leases in this area, it would seem that my interest would be somewhat out of focus with the rest of the world.

This is most definitely not the case!

We are living and working in a time of uncertainty. We need some assurances that the choice tracts will remain available and not withdrawn for some reason other than national defense and security.

This uncertainty, long laborious negative dissertations by some factions and tracts being held off the market in other areas have caused the Gulf not to boom but to become a parking lot for drilling and exploration equipment that lie idle, cause undue competition for what few contracts are available, and create unemployment as well as financial hardship on the whole gulf coastal region.

Release of drilling and exploratory areas in other oceans would permit this valuable, unused equipment and talent to return to gainful productivity.

When back in production, this marine equipment, drilling rigs and personnel will begin to cause our importation from and dependence on unstable supplies to gradually subside and once again restore this country to a position of leadership and reduce our vulnerablility to those who delight in having us dangle on a puppet string while they siphon our cash through an ever increasing pipeline that will surely rupture and bankrupt our nation.

Mr. Chairman, the United States imports close to one-third of our crude oil supply. That figure is down from a few years ago, but it is still dangerously high. Oil imports are on the rise again, thus making us increasingly vulnerable to the kinds of supply interruptions that -- combined with federal controls on wellhead prices of domestic oil -- resulted in long gasoline lines for Americans and soaring world oil prices in the 1970s.

This country's proved reserves of oil and natural gas have shrunk by about 30 percent since 1970. Many geologists believe that more than half of the nation's undiscovered oil and gas resources lie beneath federal offshore waters. Despite that fact, Congress has imposed moratoria on leasing several high-potential offshore areas and is considering additional restrictions. Using the appropriations process as a vehicle, Congress banned oil and gas leasing on more than 45 million acres off the coasts of California and Massachusetts during Fiscal Year 1985. This is the fourth consecutive year that Congress has imposed a moratorium on leasing off the coast of Central and Northern California. So one-year moratoria are, in fact, becoming indefinite bans.

The current moratoria withdrew 35 million acres off Central and Northern California alone. The restrictions affect 95 percent of that planning area and 100 percent of the potential oil and gas resources in four sedimentary basins. Those basins were tested by drilling in the mid-1960s and are known to contain accumulations of petroleum. Nineteen wells drilled in that area resulted in 13 significant shows of oil and natural gas. The current moratoria also prohibit leasing in the best prospective acreage scheduled for leasing off Southern California -- an area where several large oil fields have been found in recent years.

A decision to delay or ban exploration today is a decision to deprive this country of available, secure oil and natural gas in the 1990s, because most of the supplies we will need then have not yet been discovered.

Under current conditions, 3 to 11 years of work will be required between initial discovery and first production in most frontier offshore areas. In the more hostile environments, the lead time may be closer to 15 years. To this must be added the time required for the federal government to set up and implement an offshore leasing offering and the time for the industry to find those resources. We cannot wait for an embargo and gasoline lines before we start to explore.

And there is an environmental point. If the United States were forced some day into exploring its offshore areas on an emergency "crash" basis, it might be difficult for the nation to preserve the environmental safeguards that characterize the present program.

Mr. Chairman, the federal government controls some 966 million offshore acres. Some have argued that banning leasing on only 45 million acres can do no harm. However, the amount of acreage under moratorium is less important than the location and quality of that acreage -- in other words, the potential value of those particular areas for the production of oil and natural gas.

Much of the nation's outer continental shelf may have little or no petroleum potential. Therefore, it is all the more important to focus on those areas that appear to offer the best prospects for significant discoveries.

Although the current moratoria apply to only about 5 percent of the total federal offshore acreage, the estimated potential resources in those areas are of considerable importance. The Interior Department has estimated that the 1984 moratoria cost the United States 328 million barrels of petroleum production (including crude oil and natural gas) and $44 million in interest that could have been earned on oil-company bonus payments. The net loss to the nation's economy was estimated at $111 million for the one-year delay. The department estimated that permanent bans on the same offshore areas would deprive Americans of 2.24 billion barrels of petroleum, deprive the federal government of $3.5 billion in bonus payments and cost the economy $8.8 billion. Additional withdrawals would cost the nation even more.

These facts should be considered in assessing the impacts of offshore leasing moratoria:

(1) the extent of petroleum resources in any area can be determined only by drilling;

(2) even a major oil or gas field covers a relatively small amount of acreage, so closing only a few thousand acres could deny the nation access to important petroleum resources; and

(3) faced with the need to keep reserves in balance, we must find a "new" barrel of oil for every barrel that we produce.

To maintain today's rate of production we have to find 8.5 million new barrels of oil every day, or run the risk of becoming ever more dependent on imported oil. Clearly, the United States cannot afford to "lock up" either small or large prospects.

Mr. Chairman, in view of the energy needs facing our nation -- and considering the vital contributions that offshore development makes to meeting these needs -- I urge the Congress to reject the offshore leasing moratoria and any other measures that would delay or block efforts to develop the oil and gas off our coasts.

Mr. **Stenholm**. Thank you.
Mr. Chiles.

TESTIMONY OF WILLIAM E. CHILES, PRESIDENT, CHILES OFFSHORE, INC., HOUSTON, TX, AND LAFAYETTE, LA

Mr. **Chiles**. Mr. Chairman and distinguished Members of Congress, my name is William E. Chiles, and I serve as president of Chiles Offshore, Inc. of Houston, TX, and Lafayette, LA.

It is indeed an honor and a privilege to be asked to appear at this hearing and to comment on the effects of OCS development on the small business community.

Our company currently employs approximately 400 people living in Texas, Louisiana, Mississippi, Alabama, Oklahoma, Florida, and Arkansas. We are in the offshore drilling business and contract our current fleet of six offshore rigs to major oil company clients, as well as to smaller independent companies with operations in the Gulf of Mexico.

It comes as no surprise to most of you assembled here today that the domestic oil and gas industry is in the third year of a severe economic downturn. In spite of this downturn, our company has to date been able to maintain essentially the same employment levels that we had during the boom years of 1980 and 1981. Depressed market conditions have, however, mandated a 3-year wage and salary freeze, plus other belt-tightening measures in our company. Unfortunately, many small companies in the petroleum services industry have been unable to weather this downturn and have either gone out of business entirely or severely curtailed their operations with a corresponding loss in jobs.

In my opinion, the expedited areawide offshore leasing policy established by the 1978 Outer Continental Shelf Lands Act Amendments is the major force driving the slow but steady recovery in the domestic offshore drilling industry.

I would go so far as to term the accelerated, areawide OCS exploration and development program as the virtual salvation of our industry.

It concerns me greatly, therefore, to see the current policies and programs attacked from various quarters and interest groups.

Mr. Chairman, one emotional issue concerned with offshore oil exploration is, of course, the perceived threat to the coastal environment posed by oil spills. The facts, however, show that the offshore development industry has compiled an exceptional record of which we can be proud. Moreover, the 5-year offshore leasing plan has been crafted so as to provide for careful and continuing protection of the environment.

To date, more than 31,000 wells have been drilled in the State and Federal waters off the coasts of the United States in search of oil and gas, and we are now drilling more, at the rate of about 1,000 wells per year.

Despite this increasing level of activity, only one major U.S. oil spill in the past 3 decades resulted in a significant amount of oil reaching the shore. And that was obviously the 1969 accident in the Santa Barbara channel, which resulted in absolutely no permanent environmental damage.

The environment record of the offshore industry is excellent. Since the Santa Barbara incident, wells on Federal offshore leases have produced 5 billion barrels of oil, and less than 800 barrels have been lost to blowouts. That's 5 billion barrels of production and 800 barrels lost to blowouts.

In the U.S. Coast Guard's 1983 annual report to Congress on the administration of the Offshore Oil Pollution Compensation Fund established by title II of the OCS Lands Act Amendment of 1978, it was reported for the fifth consecutive year that no actual Federal cleanup or removal activity costs were incurred and no damage claims were made against the title III fund.

Advances in technology, better industry practices, and strict Government regulations all have made it possible to drill offshore while minimizing the risk of pollution. The law permits the Interior Secretary to stop activities at any stage of the process if he is not satisfied with protection afforded the environment.

The current 5-year program provides comprehensive and continuous environmental assessment at every stage of the leasing process. After the initial acreage selections are made, Department of Interior prepares an exhaustive environmental impact statement to determine if it is appropriate from the environmental perspective to lease those particular areas. Only after it is determined that all conditions are met for proper protection of the environment are the lands actually offered for lease. Preparation of OCS environmental impact studies is a cumulative process. The Interior Department's OCS environmental studies program has spent about 340 million developing cumulative information and data which will be available for use in future EIS programs. The scope of this material is clearly reflected in the fact that during 1982 EIS's were issued on areas comprising approximately 556 million acres.

In the past, EIS's were prepared for specific sale areas. One of the significant changes in the current 5-year program is the preparation of areawide EIS's. The advantage to the current approach is that the studies present an impact analysis which considers that the entire oil and gas resources in the planning area might be leased. This presents a more accurate view of the potential cumulative impact of OCS development. And, of course, the cases based on a presumption of less than total development are also considered.

After the environmental analysis has been done to determine whether the lands can be offered for lease and after the lease has been issued, existing regulations require up to 17 major permits or plan approvals just to begin various exploration and development programs. Two of the plan approvals include 32 separate elements related to safety and environmental protection.

An oilspill contingency plan must be submitted by every lessee as part of its exploration plan and production and development plans. These plans are reviewed pursuant to a memorandum of understanding between the Department of the Interior and the U.S. Coast Guard and are evaluated on the basis of jointly agreed-upon criteria. The criteria include risk analysis, recovery equipment, equipment availability, response time, drills, support vessels, and dispersant equipment. The contingency plan must be approved before operations can begin. And oilspill skimmers are located in every geographical area where drilling is taking place, and every drilling rig is required to have response equipment nearby.

Other regulations provide specific details for other safety programs, including requirements for plugging and abandoning wells to prevent leaks, requirements for safety systems to be installed on production platforms, spill prevention measures, and safety devices to be used on all lease/unit pipelines. There are specifications for the training of all personnel working in drilling operations on the OCS.

After permits are issued and exploration and development activities are started, each facility on the OCS is inspected on a scheduled and nonscheduled basis. The Interior Department's inspectors are authorized to suspend, and even prohibit, further operations in the event they find violations of regulations that present immediate danger of irreparable harm of life or property.

It is obvious that a tremendous amount of government and industry time, money and manpower are being devoted to environmental regulation on the OCS. A 1981 study by the National Academy of Sciences confirms that offshore oil and gas operations are a very minor source of oil pollution in the world's oceans. That study concluded that river runoff accounts for 41 percent of the total oil pollution in the oceans of the world. Tankers and other transportation contribute 20 percent of the total; natural seepage, 15 percent; municipal and industrial sources, 11 percent; worldwide offshore oil and gas production outside the United States, 5 percent; and other miscellaneous sources, 8 percent. The amount attributable to offshore oil and gas production in U.S. waters is only five one-hundredths of 1 percent. That's 1 barrel for every 2,000 barrels from all other sources. Ironically, OCS oil and gas exploration is clearly the most regulated activity of any of the potential contributors. In fact, some contributors are not regulated at all.

The alternatives to development of domestic oil and natural gas are significantly increased reliance on other domestic energy sources, coal, nuclear power, synthetic fuels and so on, or increased dependence on foreign oil. By default, the Nation seems prepared to follow this second alternative, one with enormous risks. The relatively minor environmental risks with offshore oil and gas exploration must be balanced against the risks associated with not exploring the Outer Continental Shelf. These include: Greater quantities of oil being imported from foreign countries by tankers, with the attendant environmental risks from the traffic.

I might mention, the U.S. Coast Guard reports that tankers are responsible for 27 percent of the oil spilled in U.S. waters, compared with 1 percent from offshore petroleum production.

Subjecting our economy and other national security to the danger of sudden cutoffs in shipments from foreign sources, for whatever reason; compromising our foreign policy options if we fail to lease and develop our own offshore energy resources; and having to use force to protect our Middle East supply lines.

Mr. Chairman, the conclusion is inescapable. We cannot afford these risks to our Nation's future. Moving ahead with the offshore oil and gas development poses no threat to the coastal or marine environment. So, let's move ahead with this vital effort before it's too late.

Thank you.

Mr. **Stenholm**. Thank you.

Mr. Andrews.

Mr. **Andrews**. I'd like to compliment Bill Chiles for his itemization of some of the very positive environmental efforts of industry in offshore exploration and just ask him, and maybe some of the other members of the panel would also like to comment, in general. Do you think that the environmental regulations have been a positive factor toward the good record in offshore drilling, or do you think that they have, in fact, been a hindrance?

Mr. **Chiles**. Mr. Andrews, my comment would be: I think, overall they've been a positive influence on our industry, and I think they've gone a long way to help improve our safety record offshore. I think we were somewhat slow, as an industry, for a while, to respond. We've only been drilling offshore since the late forties. I think 1947 was the year the first well was drilled offshore, or out of sight of land. So, I think that some of the regulatory impacts that we've seen have been positive.

Overall, I think in the long run, from this point forward, the industry is doing quite a bit of good alone, or without the interference from Government regulations, particularly in the area of safety and trying to prevent major marine accidents that possibly could result in pollution.

For example, the IDC is cosponsoring a symposium next year, March 1986, called The Second International Conference on Offshore Safety, and we're going to hold it in Miami with the Rosenteel School of Marine and Atmospheric Science at the University of

Miami as or cosponsor to try to promote, generally promote, safety offshore and to bring all the forces together to discuss recent regulation and recent technological breakthroughs to help prevent these accidents and pollution.

Mr. Andrews. Anybody else care to comment on that?

Mr. Nicklos. I think I share the same ideas. Mainly, it seems like when the Government gets involved in something like that it's always hard to get it going because they don't know as much as we do, obviously, about it, and sometimes you go overboard with some of these things at first. And it takes a while to work everything out.

Mr. Andrews. Well, is that the case? Are the regulations overboard, or, in fact, have the regulations been positive in terms of what is a very exemplary record?

Mr. Nicklos. I think mainly they've been positive. I'm just saying that it takes a while to work everything out once you start a program.

Mr. Crain. I agree with this, basically, as well. It seems as though you need some sort of regulation for a motivator to get the program off and running. But again, we've had some problems in working out differences that we have where we've been overregulated to some extent. And it has the opposite effect. It's a lot easier to say, "You can't do that," than to say, "Well, you can do it, but under these conditions."

Mr. Andrews. Well, in terms of being overregulated could you be specific in terms of environmental regulations? Is there anything in particular? I'm not talking necessarily about safety regulations. I'm more concerned about the environmental record.

Mr. Crain. Well, for one example, they go into great detail about having stuff available for blowouts. And, of course, blowouts are a trauma in the industry, and no driller and no oil company wants a blowout. And they're going to necessarily, for their own financial benefit, make every step possible and use every step available to prevent a blowout from occurring. Because there's just untold formation damage, you know, and other things besides environmental considerations.

And as was stated previously and on several occasions, the environmental damage that's been done by oil has been very minor, regulated or unregulated. We had a lot of seepage occur on the gulf coast, because this is one I'm familiar with and it may have occurred other places, from shallow water deposits in the gulf. And I can recall great rafts of tar and whatnot floating up on the beach, and this was caused from seepage. Since oil has relieved a lot of these pressures, you don't have this anymore.

Mr. Chiles. Mr. Andrews, I'd like to further comment on what I said since you're particularly interested in the environmental regulations, as opposed to the safety regulations.

I know you're more concerned about Federal regulations than State regulations, but we have two drilling operations or two drilling rigs operating in the Mobile Bay area off Mobile, AL. And even—or, in spite of our record on the OCS in the State waters of Alabama we're required to collect all runoff, including rainwater runoff from our drilling unit—in other words, we're not allowed to let—if a drop of water falls on the deck, it cannot be allowed to reenter the bay—or, enter the bay. If we pull water out of the bay and circulate that water through a heat exchanger to cool an engine, for example, that water can't be put back into the bay.

So, all the water, including the rain runoff that we use has to be collected in barges and shipped up to a disposal site and disposed of according to Federal and State regulations.

And I don't think I have to tell you the impact on the cost of the operations in that area. We've never operated off California, but I understand some of those similar requirements are applied to the OCS off California and in Alaska.

So, my point is we are being—or, these regulations are unusually burdensome in the areas, particularly like the example of the rain runoff. When the rain water hits the deck of one of our rigs and goes through a drain system back into the bay, it doesn't pick up one bit of additional pollution. All of our equipment has to be contained within combings. So, if there is any lubricating oil lost from a piece of equipment, it's contained within a combing, and that oil is disposed of properly.

But when rain water drops on a painted deck, I just don't see why we are having to collect that water at a very high cost, transport it to shore, and dispose of it.

Mr. ANDREWS. That's an excellent example. That's an Alabama State regulation, as I understand it.

Mr. CHILES. That's right.

Mr. ANDREWS. And as I understand it, California has a similar regulation.

Mr. CHILES. Yes.

Mr. STENHOLM. That's a Federal regulation.

In the case of the rig that I visited the day before yesterday, they're fortunate not to have to barge it. They've got a pipeline in which they run all the wastewater.

Mr. CHILES. Well, they're fairly close to shore, so they can——

Mr. STENHOLM. This particular platform is 10 miles from shore.

Mr. ANDREWS. Thank you.

Mr. STENHOLM. Mr. Fields.

Mr. FIELDS. I guess I was going to ask a question along the same line I asked the previous panel. I'll ask it, Mr. Chiles, of you and Mr. Nicklos.

As I understand, there are about 11 different steps that begin with identifying the area of geologic potential to when the lease is finally issued. And it's my understanding that's about a 24-month timespan. And I realize that probably some of those steps are environmental, some of them are safety. But I would assume a lot of them are also just bureaucratic, perhaps even duplicitous.

And I was wondering if you had the ability to outline for us some of the problems in this offshore leasing process as it comes down from the Federal Government. Or, if not, if you'd be able to submit your thoughts for the record.

Mr. NICKLOS. I don't think I'm qualified, really, to answer that question. I've never gotten involved in it, and our company's never gotten involved on that side of it. I just hear comments from others, but I don't know. I just don't think I'm qualified to answer it.

Mr. Chiles. The only comment I would make, Mr. Fields, as I did in my prepared presentation, that the concept of an areawide effect or environmental impact statement, I think, is a positive step. But we don't have to file——

I understand that exploration and production companies offshore now do not have to file a specific EIS for every well they drill or every lease they drill on. Or, the plan is that they can fall back on general area, and the impact of the exploration and development of an area, I think that's a positive step.

But, like Jim, I really can't comment on that process because I've never been involved in it.

I do know that it is very burdensome. We provide some information to the oil companies to be submitted.

I will say that the process has been less burdensome in the last 4 to 5 years than it was in the late seventies. And that may be as a result of a little relief in environmental—pressure from environmental groups on the Government.

Mr. Fields. Mr. Chiles and Mr. Nicklos, let me also ask: Has there been any effect on your companies because of this 8(g) controversy?

Mr. Chiles. I haven't noticed any. So far, we don't see any impact to date. There's some potential problems down the road, as I see them, but I can't see any effect at this point.

Mr. Fields. Also, it's my understanding that Secretary Hodel, and this was brought out before our Outer Continental Shelf Subcommittee hearing last week, that the entire OCS will not be offered, but that what we'll be looking at is an offering that's not quite as large, but still probably the areas that have the greatest potential.

Is there going to be any effect on you if he narrows that offering?

Mr. Chiles. Definitely. I think that there's a direct correlation between the number of rigs operating offshore to the number of tracts offered in any one sale. For example, I can quote from pamphlet prepared by NOIA called "Area-Wide Leasing, National Boon or Industry Boondoggle, October 1984." The number of rigs operating after sale 72 and 74 are increased from about a 120——

This is Gulf of Mexico.

Mr. Fields. Yes.

Mr. Chiles. 120 were operating in September 1983 to about 200 toward the end of 1984. So, I think there is a direct correlation between the number of rigs operating in the areawide concept of leasing.

Mr. Fields. And as I understand his proposal, it does not affect the Gulf of Mexico. He's looking at some other areas. And, in essence, he's doing this because of some pressures from different groups.

In fact, one of the questions that I asked at that hearing was, by doing this, does he anticipate any less pressure from some of these groups who have historically opposed OCS development. And he said he really couldn't tell. I personally doubt if there's going to be any change in that opposition.

Mr. Chiles. Well, earlier we heard the comment about the Gulf of Mexico becoming a parking lot for drilling rigs and boats from other areas of the country. These drilling units have become very mobile in the last 10 years. And if we curtail operations off Alaska, or California, or the east coast of the United States, those rigs generally move very easily into the Gulf of Mexico, which have caused serious trouble here.

We've seen about 30 units move into the Gulf of Mexico in the last 2 years. And realizing that some of those units have come from foreign areas where the industry is depressed also.

But any reduction in leasing in other areas of the country will affect the Gulf of Mexico directly.

Mr. **Fields**. Just one last question. I guess it's going to be more of a statement than a question.

The people who are the chief opponents of our offshore program say: All we're talking about in terms of moratoriums is 4 percent of the OCS.

And that doesn't sound like very much. But, of course, that 4 percent, has perhaps the greatest energy potential.

Mr. **Chiles**. The most productive areas.

Mr. **Fields**. So, I guess what I'm really asking is, if there's any disagreement with my assessment that we're looking at the 4 percent that would be, perhaps, the most productive. And that it's really a shallow argument by those who oppose OCS development.

And if anyone disagrees, I want a comment. Otherwise, I'm going ask the chairman to move forward.

Mr. **Stenholm**. Let the record show there's no disagreement with the statement.

Mr. Bustamante.

Mr. **Bustamante**. No questions, Mr. Chairman.

Mr. **Stenholm**. Mr. DeLay.

Mr. **DeLay**. No questions, Mr. Chairman.

Mr. **Stenholm**. OK. I have no questions either. I would just echo what Mr. Andrews said a moment ago. I appreciate very much your indepth statements, along with the written statements that you've provided to this subcommittee.

Mr. **Chiles**. Mr. Stenholm, I'd like to make one other comment that was talked about earlier.

Most of the consuming nations of the world, other than the—well, including the United States, but it doesn't affect us. Most of the consuming nations of the world buy crude oil from the Middle East or the OPEC countries in U.S. dollars. If you look at the exchange rate of the U.S. dollar versus a group of European currencies from 1979 to today, they are paying the equivalent of about $50 to $55 for U.S. barrel—I mean, per barrel in U.S. dollars for crude.

And anybody here that took any basic economic courses in high school or college can understand the impact that the strong dollar has had on worldwide consumption of oil and gas, which affects—obviously affects the health of our industry in the United States.

I just wanted to make that one comment.

Mr. **Stenholm**. I totally agree with you on that. Unfortunately, time is running out on us today and we can't discuss this further.

I happen to be one of those that believe that the deficits that we're running in this country are a major contributor to that. And the chickens are going to come home to roost if the Congress and the administration do not deal with our deficits, both trade and budget. They are important, and we've got to deal with them. If we do not deal with them in the Congress, they're going to be dealt with in the simple world of economics. I'm seeing it play out in my district in the oil industry and the agricultural industry on a daily basis, and I think the same is going to occur all across our country if we don't deal with them in a constructive manner.

It is my intent as chairman of the Subcommittee on Energy, Environment, and Safety Issues, to try to focus, not only on issues such as we have today with the moratoria, but also on other issues raised by my fellow colleagues regarding environment and safety issues. I intend to try to focus, from a small business perspective, on those Government regulations that we superimpose upon all industries, but, in particular, the energy industry.

Thank you all for taking the time to be with us today.

The last panel is Mr. Myers and Mr. Hite.

Mr. Myers.

TESTIMONY OF HOWARD B. MYERS, PRESIDENT, LOR, INC., HOUSTON, TX

Mr. MYERS. Mr. Chairman, my name is Howard Myers. I'm the president of LOR, Inc., a manufacturer of drilling equipment based in Houston, TX.

LOR's primary business is the manufacture, sale, and rental of downhole drilling equipment used in the exploration and development of oil and gas wells.

In addition to the downhole drilling tools, we manufacture and sell specialty equipment used in the mining industry and in the large-diameter shaft drilling industry.

I appear before you today on behalf of the National Association of Manufacturers.

The National Association of Manufacturers is a voluntary business association of over 13,500 corporations, large and small, located in every State. Members range in size from the very large to over 9,000 smaller manufacturing firms, each with an employee base of less than 500. NAM member companies employ 85 percent of all workers in manufacturing and produce over 80 percent of the Nation's manufactured goods. NAM is affiliated with an additional 158,000 businesses through its Associations Council and the National Industrial Council.

I'd like to discuss today two issues vital to NAM and LOR. One is the critical importance of our domestic Outer Continental Shelf oil and gas leasing, and, two, the impact of offshore activity on America's small businesses. And specifically, how past and proposed congressional activities could serve to deter planning and investment by small businesses in the offshore support operations.

Right now, the United States produces about two-thirds of all the oil it consumes. In 1983, 11 percent of our oil and approximately 24 percent of our natural gas came from the Outer Continental Shelf. By the year 2000, it's estimated we will be importing 50 percent of our oil needs. And even to achieve this figure, we'd need to step up offshore oil production some 14 percent. Oil imports are, as anticipated, already on the rise. During the first half of 1984, U.S. imports of crude oil jumped almost 17 percent above the comparable period in 1983, 3.55 million barrels per day versus 3.04 million barrels per day. Sixty percent of this 500,000,000 thousand-barrel-per-day increase came from Arab and Iranian producers.

Analysts are now predicting America will have to find some 32 billion barrels of new oil reserves during the next decade just to keep domestic production at its current level. And most experts agree over half our future discoveries lie offshore. The question is: Where offshore?

Historically, leasing and development offshore has been concentrated in the Gulf of Mexico. In fact, between 1954 when Federal offshore leasing began and August of 1983, 29.8 million acres of the OCS were actually leased. Of these 29.8 million acres, 75 percent were in the Gulf of Mexico. And approximately 90 percent of our OCS production is from the Gulf. The flip side of this is that as these existing finds dwindle we will be forced to move into deeper gulf waters and/or to frontier areas to explore. These frontier areas would include offshore California, Alaska, and the North Atlantic States.

But it is these key frontier areas that Congress has regularly been placing in moratoria over the past 4 years. Last year, Congress placed 45.6 million acres of offshore Federal lands off-limits to leasing in environmentally, strategically, and economically "sensitive" areas offshore California and Massachusetts, through the appropriations process. These moratoria, however well intentioned, have served no positive purpose in our country's plan to achieve energy independence. Moratoria, in NAM's view, disrupt long-term Government planning, serve to reduce revenues to the U.S. Treasury, slow our progress toward energy self-sufficiency, threaten national security, and cost jobs at home.

Despite these negatives, congressional pressure persists. Last month, in fact, a bill was introduced by Representatives Panetta, Studds, Levine, Miller, and Boxer, H.R. 1440, to place OCS leasing offshore California and Massachusetts off limits until the year 2000. Senators Cranston and Kennedy have introduced a similar measure, S. 734. Additionally, there is a bill, H.R. 1445, introduced by Representative Studds, that seeks to overturn a 1984 Supreme Court decision determining that Federal OCS lease sales do not have to be found consistent with State coastal zone management programs under the 1972 Coastal Zone Management Act.

I mention the negative effects of moratoria, and this proposed legislation to make the case that 1985, like previous years, will find the OCS program, especially in frontier areas, fraught with uncertainty. That is, uncertainty for planning. It is this inability to know what to expect that is the basis of the concern that LOR has in its role as a small business offshore supplier of manufactured goods.

The economic and the industrial involvement onshore in the offshore program sometimes surprises even industry itself. Billions of dollars in capital investment, hundreds of companies, and hundreds of thousands of jobs in more than 45 States relate to the program. For example, the raw materials and equipment that go into rigs, platforms, seismic vessels, pipelines, refineries, and other facilities don't come just from Texas. Many critical items come from places most people would never expect—Wisconsin, Michigan, Colorado, North Dakota, Utah, New Jersey, and Massachusetts, which all have jobs which depend on offshore oil and gas. Companies of all sizes are involved, including companies like LOR.

Let me touch on a couple of points relating to small businesses in this country before I address LOR's stake in the OCS development.

The enterprise group of Touche Ross recently completed a survey seeking congressional views on small business in America. I have attached the complete survey and request it be made part of today's hearing record.

Mr. STENHOLM. Without objection, it will be made a part of the record.

[The survey referred to above follows:]

Touche Ross

THE TOUCHE ROSS SURVEY

ON THE FUTURE OF SMALL BUSINESS ENTERPRISE IN AMERICA

An opinion study based on questionnaires completed
by members of the U.S. Senate and the
U.S. House of Representatives.

Conducted by
The Enterprise Group of Touche Ross

January 1985

The Enterprise Group of Touche Ross provides comprehensive professional financial services to private and emerging companies. Its members have the distinctive skills, knowledge, and experience to serve small business and to address specific industry problems and issues. As part of Touche Ross, the international accounting and consulting firm, The Enterprise Group draws upon the full range of resources and expertise of the entire firm to meet the needs of growing businesses.

The Enterprise Group has conducted this survey of the Congress in its continuing effort to provide innovative specialized services to small business.

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PREAMBLE

At the end of 1984, Touche Ross surveyed Congressional views on small business, on economic and legislative issues affecting small business, and on the economy overall. Completed written questionnaires were received from 83 members of the Senate and House, or 16 percent of the members of Congress. The respondents represent 28 percent of the Senate and 13 percent of the House, and are divided on party lines in proportion with their representation in Congress. The majority are senior members. Nearly 2/3 describe themselves as having been involved in small business at some point in their careers, 88 percent of those as owners.

Congress believes that small business plays a vital role in the economy. And they express confidence in the future of small business. However, their opinions reflect substantial concern about the nation's economic future. Specifically:

☐ Almost half the respondents foresee a major recession in the near future.

☐ Recent legislation has benefited big business more than small business.

☐ Tax legislation has been the most detrimental to small business.

☐ Congress favors protection for small business from certain forms of foreign competition, but does not support a bail-out fund.

☐ The Small Business Administration is of real assistance and was rated the most responsive of government bodies. The IRS was rated least helpful.

☐ Congress identified high technology as the fastest growing industry and among the most important to the economy, but is not inclined to protect it.

ANALYSIS

Congress unanimously recognizes the importance of small business to the nation's overall economy: 80 percent of the respondents say it is critically important. They acknowledge in particular the contribution of small business to employment: 96 percent of the respondents believe that most new "net" employment comes from the small business area. In terms of support, Congress rates itself second only to the SBA in assistance to small business. However, well over one-half of the respondents (62 percent) believe that recent legislation has helped big business more than small.

Congress considers recent tax legislation as having had the most negative impact on small business. They rated it by 2 to 1 over the next most detrimental, import/export legislation. While the respondents recognize that changes in business and individual tax structure are very important to continued economic recovery, their responses do not reflect a concensus of opinion about a solution.

Congress perceives a direct link between the success of small business and the strength of the national economy. Ninety-three percent of the respondents believe that small business benefits considerably from the current gains in the economy. A significant majority (88 percent) see no trouble in the small business future. At the same time, almost one-half express skepticism about continued economic recovery: 49 percent do not think it will last more than a year. More dramatically, 46 percent anticipate a major recession in the near future, and of those, 57 percent expect it within the coming year.

Consistent with the view that the future of small business is not troubled, a slight majority of the respondents foresee a decrease in small business failures. A strong majority (83 percent) do not support a bail-out fund. On the other hand, 62 percent do believe that small businesses should be protected from certain forms of foreign competition.

Respondents recommended protection most strongly for clothing manufacturing and automotive products. Of non-service industries, high technology received least support for protection from foreign competition.

Over three-quarters of the respondents think that the SBA is of real assistance to small business owners. In fact, Congress believes that the agency has done more than any other government body, including itself, to help small business enterprise. The SBA could increase its effectiveness still further by concentrating on lending and procurement. Conversely, Congress believes that the IRS and the SEC have done the least for small business. Among non-government groups, Congress perceives trade associations as most helpful.

Economic Policy

The survey reflects divided opinion on the benefit of "supply side" economics to small business. In total, fewer than half (48 percent) of the respondents believe that small business has benefited from it. Opinion divides along political lines. On the Republican side, 97 percent find supply side economics beneficial, while 87 percent of the Democrats find it without benefit to small business.

Business Failures

Most respondents (56 percent) expect a decrease in the number of small business failures for 1985. However, 56 percent of the respondents from both the East and Midwest expect more business failures in their respective regions than nationwide, while 50 percent in both the North and West expect fewer than nationwide.

Unemployment

Just over half (51 percent) of the respondents expect the unemployment rate to remain approximately the same or to drop. Some optimistic respondents (19 percent) expect the unemployment rate to drop to between 5% and 6%, while 14 percent expect 9% or higher unemployment by September 1985.

Interest Rates

Eighty-five percent of the respondents expect the prime interest rate to be between 10 percent and 15 percent by the end of 1985. Of those who responded after November 1, 1984, when the prime rate was 12%, 50 percent expected the prime rate to be between 10% and 12%, and 37 percent expected it to be between 13% and 15%. This suggests a growing belief in lower interest rates in the future.

Competition

Acknowledging demographic and industry shifts, 92 percent of the respondents believe either the South (50 percent) or the West (42 percent) are the best areas of the country for small business.

Economic Legislation

Respondents see changes in the business and individual tax structure as the most important actions to spur the economy. A close third is the easing of regulation and reporting requirements. Actions such as reducing worker compensation costs, availability of low cost financing, and easing environmental standards, though somewhat important for recovery, are not considered important actions by many respondents.

Deficit Reduction

To aid in deficit reduction, the limiting of federal spending was clearly the respondents' first choice. The adoption of a balanced budget amendment also received substantial support. The use of a line item veto and waste reduction, which received equal support, were well behind the first and second choices.

Effect of Legislation

The passage of procurement legislation was ranked first in importance for aiding small business, with deregulation a close second. Tax laws were rated by a 2-to-1 margin the most negative legislation affecting small business.

RESPONDENTS' PROFILE

The survey had 83 respondents representing 16 percent of the Congress. There were 55 responses from the House of Representatives. The House response represents 66 percent of the total responses and 13 percent of the House members. The Senate had 28 responses representing 34 percent of the entire responses and 28 percent of the Senate members.

The respondents represent a cross-section of the country. The largest group of respondents indicated a constituency in the West (29 percent) or Midwest (26 percent) followed by the South (20 percent), East (16 percent), and the North (9 percent).

The indicated political affiliation was 59 percent Democrat and 41 percent Republican. The political party division of the respondents is in proportion to their current representation in the Congress.

The respondents are senior members of Congress. The majority (54 percent) have served three or more terms; only 32 percent have been in Congress one term and 14 percent for two terms.

The occupational history of 65 percent of the respondents includes experience in small business, primarily (88 percent) as an owner.

SURVEY RESULTS

1 How important is small business to the nation's overall economy?

80% Critical
20% Highly Important
____ Not Very Important

2 The nation's economy continues to gain. Will small business benefit:

43% Greatly
50% Reasonably Well
7% Not So Well
____ Not At All

3 Which three business areas are the most important in the development of the country's overall economic well-being? Rate in order of importance.

#1 Manufacturing
#2 Hi Tech
#4 Financial Services
#8 Transportation
#3 Energy
#7 Health Care
#5 Retail
#6 Food

4 How important are the following steps that the government might take to spur economic recovery?

	Very Important	Somewhat Important	Not Important
A. Changes in business tax structure	51%	49%	
B. changes in individual tax structure	49%	46%	5%
C. Further changes to reduce costs related to workers' compensation	13%	60%	27%
D. Increased availability of low-cost government financing	18%	45%	37%
E. Easing of regulation and reporting requirements	44%	50%	6%
F. Easing of environmental standards	5%	48%	47%
G. Other ____			

5 Has the President's "supply side" economic philosophy benefited small business?

48% Yes 52% No

6 How long do you think the economic recovery will continue?

33% Less Than A Year
16% One Year
42% 12 to 36 Months
9% Longer Than 36 Months

7 Which deficit reduction measures do you favor? Rate in order of importance.

#2 Balanced Budget Amendment
#1 Limited Federal Spending (to a percentage of GNP)
#4 Line Item Veto Amendment
#3 Waste Reduction
____ Other ____

8 Has legislation during the past few years helped big business more than small business?

62% Yes 38% No

9 What areas of legislation have helped small business most? Rate in order of importance.

#3 Taxation
#2 Deregulation

#1 Procurement
#4 Import/Export
____ Other ____

10 What areas of legislation have hindered small business most? Rate in order of importance.

#1 Taxation
#3 Deregulation
#4 Procurement
#2 Import/Export
____ Other ____

11 Which new tax legislation, if any, would you support?

18% No tax for new businesses for the first three years (when earnings are less than $100,000)
38% Graduated tax rate until earnings exceed $50,000
37% Tax credit for hiring additional personnel
7% Other ____

12 Do you think the SBA is of real assistance to small business owners?

78% Yes 22% No

13 In what areas can the SBA be more effective? Rate in order of importance.

#1 Lending
#2 Procurement
#4 Communication
#3 Training
#5 Advocacy Programs
____ Other ____

14 Which three government agencies or bodies have done the most to assist small business enterprise? Rate in order of importance.

#2 The Congress
____ IRS
____ SEC
____ FTC
____ FDA
____ FCC
#1 SBA
#3 Department of Commerce
____ Other ____

15 Which three organizations have done the least to assist small business? Rate in order of importance.

____ The Congress
#1 IRS
#2 SEC
#4 FTC
____ FDA
#3 FCC
____ SBA
____ Department of Commerce
____ Other ____

16 In your opinion, who has been most helpful to small businesses? Rank in order of importance.

#2 Financial Institutions
#3 Accountants
#4 Lawyers
#1 Trade Associations
____ Other ____

17 Do you foresee a decrease in the number of small business failures during the next year?

56% Yes 44% No

18 **How do you think the number of small business failures in your state will compare with small business failures nationwide during the next year?**

39% More Than Nationwide
25% Same As Nationwide
36% Less Than Nationwide

19 **Which five of the following industries will show the greatest growth in the next three years (1984–1986)? Mark only five.**

_____ Construction
_____ Manufacturing (auto-related)
_____ Manufacturing (nonauto-related)
_____ Retail
#4 Finance
#5 Health Care
_____ Insurance
_____ Real Estate
#2 Service
#1 High Technology
#3 Computer Services
_____ Food
_____ Other _____________________

20 **One year from now, the prime rate will be:**

5% 6 to 9 percent
42% 10 to 12 percent
43% 13 to 15 percent
7% 16 to 20 percent
3% Over 20 percent

21 **Do you believe that most new "net" employment comes from the small business area?**

96% Yes   4% No

22 **What do you expect the unemployment rate to be by September 1985?**

19% 5 to 6 percent
32% 7 to 8 percent
35% 8 to 9 percent
8% 9 to 10 percent
6% Higher

23 **What part of the nation do you think is the fastest growing for small business?**

4% North
4% East
50% South
42% West
_____ Midwest

24 **Do you foresee any major recession in the near future?**

46% Yes   54% No

25 **If yes, when?**

57% A year from now
35% Two years from now
8% Three years from now

26 **Do you think small businesses should be protected from certain forms of foreign competition?**

62% Yes   38% No

27 **What kinds of industries should be protected?**

31% Clothing Manufacturing
15% Metal Working
11% Hi Tech
6% Health Care or Medical
26% Automotive Products
11% Other _____________________

28 **Should there be a bail-out fund mechanism for small business?**

17% Yes 83% No

29 **Is the future of small business in trouble?**

12% Yes 88% No

30 **Have you ever been involved as a "small businessman" in your career?**

65% Yes 35% No

31 **In what capacity?**

88% Owner
6% Employee
6% Consultant

32 **Are you a:**

41% Republican
59% Democrat

33 **What part of the country is your constituency?**

9% North
16% East
20% South
29% West
26% Midwest

34 **Are you a member**

67% House of Representatives
33% Senate

35 **How long have you been in Congress?**

32% One Term
14% Two Terms
21% Three Terms
33% More

Mr. MYERS. Two points stand out in this survey of Congress. One, 80 percent of the respondents feel small business is critical to the Nation's overall economy, and, two, manufacturing, hightech, and energy rank one, two, three, respectively, according to the survey, as the three business areas most important in developing this country's overall economic wellbeing.

LOR represents these three areas: We are a manufacturer of down hole drilling tools which are required in many cases in the energy exploration and development of offshore and onshore oil and natural gas, and we feel our product is functionally, if not classically, high tech. LOR is a subsidiary of New Park Resources and employs about 290 people with domestic facilities in California, Texas, Oklahoma, Mississippi, and Louisiana.

Let me address two concerns very simply and how congressional disruption of the OCS leasing process affects us: Profits and employment.

Contrary to some folks' thinking, "profit" is not a four-letter word. Every business exists and continues to grow because of profit. The opportunity to make a profit is tied directly to a marketplace for the exchange of goods and services. Any disruption to the marketplace works against free enterprise. The economic and social benefits derived from a profitable business in both the private and public sectors are numerous: Capital creation, market expansion, investment, increased tax base, job creation, and a higher standard of living. LOR's ability to make a profit, to a large extent, depends upon offshore activity. Twenty-five percent of our current revenue comes from offshore drilling activity. Converted to jobs, 70 of our employees' livelihood depend upon OCS activity. Overall, however, the jobs dependent upon OCS translate into much higher figures.

We estimate the cost to operate an offshore rig at $40,000 per day. This varies with the type of rig you're talking about, whether it's a jackup, it'd be a little less in today's market. Some of the semi's are a little more. But on an average $40,000 a day is a good number.

There are approximately 215 operational rigs offshore in the United States. Thus, the total operational costs equal well over $3 billion per year benefiting all business sectors in the economy.

In summary, it's estimated that for every job offshore, there are four jobs created onshore in a support capacity. LOR is an example of such a business. A major portion of our economy is driven by small businesses. And like any business, we need to plan in order to be profitable. It is the opinion of NAM and LOR that OCS leasing moratoria disrupts planning both in the private sector and in the Department of the Interior, whose responsibility it is to administer OCS leasing. We urge this committee and your colleagues in the House Appropriations Committee to end the practice of imposing leasing bans in our domestic frontier exploration areas. Let free enterprise work, and our economy, standard of living, and employment picture are bound to be healthy.

Thank you, Mr. Chairman.

Mr. STENHOLM. Thank you.

Mr. Hite.

TESTIMONY OF RICHARD HITE, ASSISTANT TO THE PRESIDENT, WILLIAM FISK, INC.

Mr. HITE. Thank you, Mr. Chairman.

I asked to speak before this hearing today not so much to address the economic issues. Originally, mostly to address a personal issue involved with people who work for the oil field companies.

Mr. STENHOLM. Mr. Hite, will you identify yourself and who you are with?

Mr. HITE. I'm sorry, sir.

My name is Richard Hite. I'm assistant to the president for William Fisk, Inc. We are an oil field consulting firm in that area of quality assurance and quality control for all tubular goods that are used in the oil country.

As I started out, my interest primarily was to address the issue of the people that are involved with different companies. Part of my responsibility at Fisk & Associates is to travel around to other companies in the oil patch and present creative thinking seminars, as well as motivational seminars.

At the present time, you can imagine the difficulty in a job like that with the market conditions as they are.

Yesterday, for example, I was talking to a large field company, to the tubular division, and it's like talking to a moratorium. They don't see any hope at the end of the tunnel right now.

What I'm asking for of this commission is a statement of some sort, either in a positive decision in regard to the moratorium or a statement of some sort directed to the people who are involved in the companies. They need something that they can hang their hat on as far as their hopes are concerned.

I know that the questions that came up in terms of the environment and the regulations and the oil fields' response to those regulations, I'd like to say that as a consultant I've been involved in many other industries, and the people in the oil fields, I feel, are the—some of the most responsible, if not just the most patriotic in their high regard for the values of this country and their appreciation of the fact that they have an opportunity to pursue their line of business here.

They have responded, not only to the environmental issue, but they also wish to respond to the statement that they quite often hear concerning the strategic importance of our oil fields and our oil reserves. On one hand, they hear that this is a very important issue, that we do not want to become weak in this area. But then, on the other hand, they have conflicting statements in regard of moratoriums on drilling and the strong value of the dollar and that it is cheaper to go out and buy oil from overseas rather than explore for it here, as well as the new taxation regulations that are going to, you know, hurt the industry as well.

So, I keep hearing—The questions that I keep receiving from the audiences that I address are questions of: What's next? What's going to happen?

They're questions of: Why should we really get out there and work very hard?

So, they don't understand what, really, is going on. There hasn't been a very decisive statement as to what they should be looking forward to.

In the area of this environmental concern, I would also like to address one particular point of technology, that there are available today ultrasonic, as well as electromagnetic, inspection units installed at the wellhead. They can inspect all tubular goods that go in and out of the hold and detect almost all imperfections with a 100-percent wall scanning effect.

You know, I wish I had—I tried to be put on this panel earlier when I heard that this hearing was going to be held, and I appreciate your letting me come and speak at this time.

I am appealing more from an emotional standpoint, rather than from a factual standpoint. But it is an issue that I don't think that the Government can ignore, the fact that these people are—They're in dispair right now. They're very concerned about their future, as far as their careers, and they're very concerned about the future as far as the country is concerned. And they're very concerned, as well, about the environmental issue. So, I think it is an issue that we all should address, as well.

I'd also like to make a point of—I know that there are many representatives of the media here and that another issue that is brought up, the personnel in the oil fields have been receiving bad press in the past. And this is an issue that I'd like to hope that the representatives of the media that are here will recognize and realize that people who are working in the oil patch are people who are very concerned. They're not just out there for themselves, but they're out there, really, with concerns for the whole country.

That's all the statements that I have at this time. Thank you.

Mr. STENHOLM. Thank you, Mr. Hite.

Mr. Fields.

Mr. FIELDS. Mr. Myers, first of all, I want to compliment you for your statement. It's always nice to have someone from my home town, Humble, TX, appear at our congressional hearings. It's also nice to know what your first name is. I always called you Bo. So, it's nice to learn that today.

On page 4 of your testimony, you talk about proposed legislation dealing with what we call in the Merchant Marine and Fisheries Committee the issue of consistency. And I didn't know if you would want to go into a little bit greater depth as to what "consistency" is. Because, to me, it's back door moratoriums.

I think the real purpose of even having legislation like this—it sounds real good. And I know I've had some people appeal to me on the basis that this is a States rights issue. And I guess in a pure perspective we are talking about States rights.

But on the other hand, the real impact of the legislation, its purpose is to give people in California, Alaska, and areas of the Northeast the ability to stop offshore development.

And I didn't know if you wanted to talk about that particular area of your testimony, but I think it's important. It's something that is going to be coming before our Merchant Marine Committee in the coming months, and how it might affect your company and other companies trying to deal in the offshore area.

Mr. Myers. I can address it from a standpoint of California and its direct impact upon our company. We, in the past, have operated three areas in California. We've been there for a number of years. We have, within the past 3 years, closed our Long Beach facility in its entirety. We have reduced the work force at our Ventura facility by 75 percent and are looking currently at closing that facility in its entirety. And if we do so, more than likely we would have to close the Bakersfield facility because we feel it would not be advantageous for us to continue with just the inland base of Bakersfield.

And, you know, we would very much like to see some of the areas opened in that market out there that would allow us to go into the offshore areas, as well as some of the State areas.

Mr. Fields. Mr. Chairman, I have no other questions.

Mr. Stenholm. Mr. Bustamante.

Mr. Bustamante. I have no questions, Mr. Chairman.

Mr. Stenholm. Mr. Hite, you mentioned attitude and its importance and also the importance of finding some hope. During the subcommittee's tour of an offshore platform in California, I spoke with a young man who indicated that he would never take his job for granted.

He also said,"You know, my company can replace me. There's no indispensable man, and I'm not indispensable, but they can never replace my attitude."

That comment has stayed with me. I've never heard that expressed quite that way before. We've heard a lot of complaints today about the fate that is befalling us, and we all like to blame it on somebody else. That's easy; it's always easy to find fault.

The Congress is a logical target for criticism, and we deserve it; I'll accept my 1/435th share of that blame. [Laughter.]

I'll let my colleagues speak for themselves in regard to that.

But attitude is so important, and I guess you were a fitting last witness after these 2 days of hearings. One of the things that I, as chairman of this subcommittee, hope to focus on is the effect that governmental decisions have on individual people. This subcommittee has a responsibility to try to be a not-so-silent voice in the Congress, pointing out how various decisions of Government affect small businesses.

And, of course, when you talk about small business, many times you're talking about two people, a man and a wife. Many times you're talking about 100 employees, or 200, or 300. But each of those are individuals who have jobs and futures.

And so often, I think, as Members of Congress, we lose sight of the forest through the trees in regard to the decisions that we make.

And again, the purpose of these hearings is to focus on the small business perspective of current offshore oil and gas development and what moratoriums are doing to small businesses. We will interject our findings, facts, as we have ascertained them, to the Congress, to Mr. Fields' committee and to others, and then the will of the Congress will express the will of the American people.

Do you have a comment?

Mr. Hite. One further statement, Mr. Congressman, is that during times of war there's always an effort to pull the country together. And it's a PR effort, as well as real—you know, addressing economic issues.

Well, in the oil field, it's almost as if this is a kind of war right now. It's an economic war. It's a war of survival.

And I feel that the Government could go a long way in providing that same impetus that it would provide in time of actual, physical conflict.

I know that there are companies, the presidents and chairmen of the boards of these companies that I've talked to, I've asked them this question: Would they support an effort to rally the people as far as their spirits are concerned?

If they had some way of centrifying their efforts of getting everything coming together with a focused point. And the answer has been unanimously, yes.

And I'd like to ask if the Government could look at that issue of pulling people together.

I wish every employee of all the companies I've talked to in the last year could be sitting here listening to us. I know this would encourage them. Just this hearing. Just to hear the concerns that are expressed here.

But that can't happen, as we know.

Mr. STENHOLM. If somehow the industry could generate the kind of political response that IRS got with their requirement to keep logs on the use of your vehicle or the letters that we received concerning 10-percent withholding on savings and dividends, we'd solve the problem.

Regarding our national debt, it would be very helpful if we could prompt that kind of response from the American people; I'm sure we'd solve the problem. Congress is a mirror of the people, whether you like it or not. What you see is what you get. [Laughter.]

We thank you for testifying. We thank all of those who participated in today's hearings.

If there's anybody out in the audience who would like 1 minute to be heard on this subject, I would welcome their comments at this moment in time.

[No response.]

Mr. STENHOLM. Apparently no one has any comments to make. We thank all of you for participating. I thank my colleagues for being here today.

This hearing is now adjourned.

[Whereupon, at 1:15 p.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

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